

'Peace in the Middle East need not be a dream.' — President Bush

Israel and Its Adversaries Begin Quest for Accord

By Jackson Diehl
Washington Post Service

MADRID — Israel and all its neighboring Arab adversaries faced each other at a Middle East peace conference for the first time on Wednesday and heard Presidents George Bush and Mikhail S. Gorbachev call for a comprehensive and final settlement to 43 years of conflict.

In a polished, sober opening ceremony that took eight months of painstaking diplomacy to arrange, Mr. Bush and Mr. Gorbachev addressed Prime Minister Yitzhak Shamir of Israel, the foreign ministers of Jordan, Syria, Lebanon and Egypt, and Palestinian representatives. They sat around a broad, T-shaped table in the Hall of Columns of Madrid's Royal Palace.

Mr. Bush and Mr. Gorbachev, whose nations are co-sponsoring the conference, said the talks must aim at more than merely ending the perpetual state of belligerency that has drawn Israel and the Arabs into five wars and hundreds of skirmishes since the founding of Israel in 1948.

"Peace in the Middle East need not be a dream," Mr. Bush said.

"We seek peace, real peace," he said. "And by real peace I mean treaties: security, diplomatic relations, economic relations, trade, investment, cultural exchange, even tourism."

Mr. Gorbachev said: "The conference can only succeed if no one seeks any victory for one side over the other, but all seek a shared victory over a cruel past. I'm speaking of peace, rather than merely a cessation of the state of war."

The session initiated what the two leaders hope will be an extensive, multistage process in which Israel will negotiate peace treaties with Syria, Jordan and Lebanon, find with the Palestinians a solution to their bitter dispute, and work toward agreements on regional issues like water and arms control with its neighbors and Arab states in the Gulf and North Africa.

The opening session was intended to break the first psychological barriers between Arabs and Israelis simply by getting them to sit together in one room. And the room was a magnificent one, adorned with chandeliers, tapestries and a frescoed ceiling.

The atmosphere among the delegates — all of the more than 50 official representatives were in attendance — was cold and correct. Most watched Mr. Bush and Mr. Gorbachev without looking at one another. In the minutes before the opening ceremony, a Lebanese woman delegate refused to shake hands when approached by her Israeli counterpart.

"This is not yet the kind of forum we have been hoping and waiting for," said Yossi Ben Aharon, a senior aide to Mr. Shamir. "I want to hope that the eyes that were today glued to the sponsors will subsequently be glued to the interlocutors."

Israeli and Arab spokesmen offered generally favorable reactions to the two opening speeches. The Israelis said they were pleased that Mr. Bush and Mr. Gorbachev had set one of the goals of the peace process as Israeli-Arab treaties, and they noted that the more limited goal of an end to belligerency, thought to be favored by Syria, had been called insufficient.

Hanan Ashrawi, a Palestinian adviser, said that "in many ways there were no real surprises" in Mr. Bush's speech, which she said appeared to be consistent with U.S. policy. But both Mrs. Ashrawi and a Syrian spokesman expressed disappointment that Mr. Bush had not referred specifically to the formulation in United Nations resolutions that Israel should give up land in exchange for peace.

Mr. Bush's most direct reference to U.S. policy favoring Israeli withdrawal from occupied territories was a more ambiguous declaration that "territorial compromise is essential for peace."

Neither he nor Mr. Gorbachev mentioned Israeli settlements in the occupied West Bank and Gaza Strip, which have been a source of considerable tension in U.S.-Israeli relations in recent months.

Israeli officials played down the reference to territory. "We are not adverse to the Arabs raising the issue of territories," Mr. Ben Aharon said. "But Israel has its own position on this."

Mr. Shamir opposes any withdrawal from the West Bank, Gaza and Golan Heights territories captured in the 1967 Middle East war.

Mr. Bush's speech appeared intended to carefully balance the competing claims and agendas of Arabs and Israelis. He spoke of Israel's anxieties over its security as well as the session ended with addresses by Foreign Minister Hans van den Broek of the Netherlands, representing the European Community, and the Egyptian foreign minister, Amr Moussa, whose country signed the only Arab peace treaty with Israel, in 1979. The other Arab delegations and Israel will address the conference Thursday, and face-to-face negotiations between Israel and Syria, Lebanon, and a joint Jordanian-Palestinian are due to begin next week.

Mr. Bush and Mr. Gorbachev left Madrid on Wednesday, leaving Secretary of State James A. Baker 3d and the Soviet foreign minister, Boris D. Pankin, to oversee the remaining two days of the conference and subsequent bilateral talks.

In a news conference Wednesday evening, Mr. Baker said procedural disputes about the location and structure of the face-to-face meetings still remained to be resolved. Diplomats in Madrid said it was likely that backstage negotiations on these issues would continue until the

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Yasser Arafat, left, leader of the Palestinian delegation, talking with a colleague, Saeb Erekat, before the start of the conference.



Prime Minister Yitzhak Shamir of Israel listening to remarks from George Bush at the opening session in Madrid's Royal Palace.

U.S. Worry: Nuclear Aid By Beijing To Tehran

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The U.S. intelligence community has recently concluded that Iran is aggressively seeking to develop a nuclear weapon and that China has provided Iran with equipment capable of making some fissile material for such a weapon, according to Bush administration officials.

Discovery of the Chinese sale to Iran comes amid disclosures of an unexpectedly advanced nuclear weapons program in neighboring Iraq. Some American analysts say they now suspect that Iran may be seeking to do what Iraq has been blocked from doing and build a nuclear weapon that can be brandished in the Middle East.

As recently as June, U.S. officials said there was no evidence that China was assisting any effort by Iran to make nuclear weapons.

Administration officials said their new concern about Iran's intentions were heightened last week when a senior Iranian official expressed interest in building a nuclear arsenal to match that believed held by Israel.

In an interview distributed by the official Iranian press agency, IRNA, Deputy President Atollah Mohajerani said that "because the enemy has nuclear facilities, the Muslim states too should be equipped with the same capacity."

Mr. Mohajerani, who is normally responsible for legal and parliamentary affairs but occasionally speaks for President Hashemi Rafsanjani on foreign policy matters, said that "Muslims should strive to go ahead" because nuclear weapons can enable countries to achieve a military superiority over potential enemies.

"I am not talking about one Muslim country, but rather the entirety of Muslim states," Mr. Mohajerani said, adding that "we witnessed the destruction of Iraq's nuclear devices" by parties that he said had no business interfering in such matters.

American officials said the remarks might represent a significant statement of Iranian intentions.

"Iran is trying to do things on the

Kiosk

U.S. Sends Signal on Interest Rates

NEW YORK — The Federal Reserve Board sent signals to the money markets on Wednesday that it might be ready to ease credit to help stimulate the sagging U.S. economy.

Economists saw in the central bank's technical actions a sign of another drop in the key federal funds rate. Currency markets, meanwhile, forecasting easier credit, pushed the dollar lower in New York. But analysts warned that the moves were ambiguous and that it might be some days before the Fed's intentions were clear. (Pages 11 and 12.)

General News	Dow Close	The Dollar
A Senate panel backed an inquiry into claims of a 1980 deal on hostages. Page 3.	Up 9.84	DM 1.671
Crossword Page 10.	3,071.78	Yen 174.335
		FF 5.707

Tomorrow

Caribbean resorts try to keep tourists on the beach, fearing they won't like the poor but beautiful interior, but the area isn't just sand and palm trees. A guide to food, drink, music and other off-beach attractions.

Paris Seeks Libyans In '89 Air Bombing

By William Drozdiak
Washington Post Service

PARIS — A French judge issued international arrest warrants on Wednesday for the brother-in-law of Colonel Muammar Gadhafi, the Libyan leader, and three other senior Libyan officials for orchestrating the midair bombing of a French jetliner in September 1989 that killed 171 people over the Sahara.

The warrants charge that Abdullah Senoussi, Colonel Gadhafi's brother-in-law and deputy chief of Libya's intelligence services, was among those who arranged for a suitcase of explosives to be placed aboard a DC-10 operated by the French airline UTA, on a flight from Brazzaville, Congo, to Paris. After a stopover in Chad, the plane exploded in the sky over Niger.

The warrants also call for the arrest of Abdallah Elmaghrabi, a Libyan diplomat in Brazzaville at the time, and two intelligence agents, Ibrahim Naeli and Mubashir Arbas.

The four men were charged with violations of French law by conspiring to commit murder, destroying property with explosives and taking part in a terrorist enterprise. They were believed to be Libya, beyond arrest or extradition. Libya

From Two Presidents: Broad Vision but No Path

By David Hoffman
Washington Post Service

MADRID — The diplomatic marching orders issued Wednesday by Presidents George Bush and Mikhail S. Gorbachev envision a complete settlement of the Arab-Israeli conflict but leave unresolved the enormously difficult problem of how to accomplish it.

The twin speeches by Mr. Bush and Mr. Gorbachev were greeted by the participants with some praise, private trepidation and much uncertainty about what lay ahead. Both presidents seemed to be using code words to coax the participants into unprecedented direct talks while leaving enough ambiguity to avoid aggravating past disputes.

Despite the sense of fragility and tentativeness that hung over the first session, Secretary of State James A. Baker 3d declared that old taboos had been broken. "You

have to crawl before you walk and walk before you run," Mr. Baker said. "Today we all began to crawl."

The participants anxiously scrutinized the Bush and Gorbachev lectures for clues about what to expect as they headed toward bilateral negotiations this weekend.

For example, Israeli officials hailed Mr. Bush's comments setting an objective of formal peace treaties and full economic and political normalization, as Israel has sought with Syria, rather than just an absence of war.

Palestinians said they were pleased that Mr. Bush spoke of the need for recognizing the legitimacy of their quest and for giving them "meaningful control" in the occupied territories.

Syrians were disappointed that Mr. Bush did not directly repeat that Israel should exchange land for peace. Rather, he called for "territorial compromise" and avoided saying anything more, leaving everyone disoriented.

The Bush and Gorbachev speeches are to be followed Thursday with opening addresses from Israel, the Arab states and Palestinians.

Intense behind-the-scenes maneuvering continued Wednesday on a dispute over where to convene the next and perhaps most important phase of the nascent peace process — direct, bilateral talks. Israel and Syria remain at odds over whether the talks should move to the Middle East after the first session is held in Madrid. Israel prefers

A New World, Old Feuds and a Common Destiny

Bush Reaps the Rewards of U.S. Victory in the Gulf War

By R. W. Apple Jr.
New York Times Service

MADRID — Many months after the event, President George Bush and the United States on Wednesday plucked the fruits of victory in the Gulf war, but it is still much too early to predict how sweet they will prove to be.

Critics have suggested that the United States achieved far too little in the war, because Saddam Hussein was not overthrown, Iran remained as hostile to Kuwait as ever, and Saudi Arabia shed neither its isolation nor its archaic ways. Iraq was thrown out of Kuwait, some said, but very little else changed.

On Wednesday morning, it was clear that a very great deal had changed, even if most things remained shrouded in ambiguity and doubt as deep as Madrid's smog.

It was not only the energy and the diplomatic skills of Secretary of State James A. Baker 3d that created the remarkable tableau, with mortal enemies ranged around the same table, that Mr. Bush saw before him in the Royal Palace; all of his labors would have counted for very little without seismic shifts in the global order of things.

So far, so good. But taking the next enormous steps toward lasting peace in the Middle East may require the deep personal involvement of Mr. Bush over many months, and that may lie beyond his domestic political reach.

Dramatic and momentous as the peace conference seems to Arabs and Israelis, as well as American Jews and Arab-Americans and foreign policy specialists all over the world, it seems distant to the average citizen, an event unlikely to directly influence their own well-being. So Mr. Bush's undoubted triumph in bringing the talks into being may not earn him commensurate gains at home.

The situation is profoundly different from that which used to confront U.S. policy-makers and voters as they looked toward the Middle East. No longer is there a threat that an Arab-Israeli conflict could escalate into a nuclear war between the United States and the Soviet Union. Though American politicians are not so impolitic as to say so, Israel is therefore much less of a strategic asset to the West than it used to be.

No longer is there an imminent threat of an oil embargo, with dire consequences for the world economy. Only

Taboos Broken for Each Side

By Alan Cowell
New York Times Service

MADRID — They came with barely a handshake and left with barely a backward glance, and the mood seemed as chilly as the fog that descended on the city. But the miracle of it all, in the colonnaded grace of Madrid's Royal Palace on Wednesday, was that people who stood for such tangles of faith and fealty, fear and feud, had come at all.

As the Middle East conference, born of war, questing for peace, tiptoed across the threshold of its ceremonial opening, there they all were — Israelis and Palestinians, Lebanese and Jordanians and Syrians and Egyptians — meeting around a table covered with white linen, without flags or frills. They were, thereby, tacitly acknowledging a common destiny, even as the enemies among them barely seemed to wish to acknowledge one another's presence.

The presidents of the United States and the Soviet Union imparted blessings. Representatives of the European Community and the Arab states of the Gulf added weight and symbols of broader concerns.

But, in the end, the locus was on six men who sat uneasily with one another: Never before in its history had Israel encountered all its adversaries like this, outside

The Bare Facts About Miyazawa (No, Not That Miyazawa)

By David E. Sanger
New York Times Service

TOKYO — All Japan is suddenly talking about Miyazawa.

Not Kiuchi Miyazawa, whose recent selection as prime minister has been treated by the Japanese press as evidence that nothing really changes in the country's aging leadership.

Instead, he has been pushed off the front pages and the television news by frenzied debate over the daring of Rie Miyazawa, who at 18 is unquestionably Japan's most recognized television celebrity.

While Miyazawa the politician staked out predictably bland policy positions about reforming Japan's scandal-ridden political system and strengthening the country's voice in world events, Miss Miyazawa was shattering national taboos.

She shocked the country — at least many people pressed shock — by posing nude as the sole model for a new book produced by one of Japan's most acclaimed photographers, Kishin Shinoyama. That broke the unwritten code of conduct for the nation's young and traditionally demure *idol talents* — an adaptation of the English words *idol* and *talent* — and touched off a debate about whether the emulation of Madonna-like exhibitionism was sending the country to ruin.

Miss Miyazawa's willingness to violate the rules, however surprising, was quickly overshadowed by the willingness of two of the country's most conservative newspapers to follow suit.

The Asahi Shimbun and the Yomiuri Shimbun, with a combined daily circulation of 18 million, jolted bleary-eyed commuters the other morning with full-page advertisements for the book, featuring Miss Miyazawa unclothed.

That was something to be expected of Japan's "sports dailies," the equivalent of Britain's gossipy tabloids, but it was a first for papers that pride themselves on serious political discourse.

Facing that kind of competition, the future prime minister did not stand a chance on the talk shows. The publisher of the book was flooded with

300,000 orders, even though the first copies will not be off the presses for a few weeks.

One of Japan's leading weekly magazines, not averse to hyperbole, called Miss Miyazawa a refusal to affect the modesty of the ordinary idol "the biggest event of the Heisei era" — the period that began with the death of Hirohito in 1989.

Subways are covered with advertisements for magazines featuring in-depth profiles of Miyazawa — Rie, of course, not Kiuchi.

The two Miyazawas are not related, nor do they bear much resemblance to each other.

Kiuchi Miyazawa is 72 and balding, a former Finance Ministry bureaucrat who rose through the

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Yeltsin Seeks Power to Suspend Laws From Moscow

Compiled by Our Staff From Dispatches

MOSCOW — Boris N. Yeltsin, the Russian president, proposed legislation Wednesday that would give him and his parliament the legal authority to suspend Soviet laws that "hampers economic reforms."

The proposal was circulated at the Russian Congress of People's Deputies, or parliament, by Mr. Yeltsin, who has enhanced his power since the failure of the coup in August. It was not clear when it will be put to vote.

The resolution said the parliament could not consider measures on domestic economic change, foreign economic activities, investment, price changes, property or land ownership unless Mr. Yeltsin approved the measures first.

It said that all Soviet laws hampering economic changes could be suspended by the Russian Supreme Soviet or the Russian president, and that that Russian laws and

decrees of the Russian president should "be given top priority."

"For a certain period of time, for example a year, the president must have the right to issue decrees necessary for reform even if they formally contradict earlier laws of the Soviet Union and Russia," Mr. Yeltsin said in a note to the lawmakers.

He requested the expanded powers two days after having announced major economic changes in the Russian Republic, including the freezing of prices, the cutting of subsidies and the privatization of state-owned industry and agriculture. He also suggested that he should add the job of prime minister to his duties as president.

These moves face opposition from conservative local authorities and a public uneasy about further cuts in living standards.

Mr. Yeltsin faces hostility from other republics, which will be liable to pay for Russian raw materials in scarce hard currency if, like Ukraine and three other holdouts, Russia does not sign a Kremlin-inspired economic cooperation pact.

President Mikhail S. Gorbachev, his power and influence curtailed since the failed coup, adopted sweeping powers last year to implement plans that have produced no improvement in the economy. His various decrees were largely ignored or ineffective.

Mr. Yeltsin, in his proposal Wednesday, also urged a ban on all elections of executive officials in the Russian Republic as well as the postponement of local elections until December next year.

The draft also gives Mr. Yeltsin the right to determine the structure of supreme executive bodies and local executive authorities in the republic.

Bonn and London Agree
Germany and Britain agreed Wednesday that the Soviet Union urgently needs aid to buy food, raw materials and energy and to improve safety at its nuclear generating plants, Reuters reported from Leipzig.

Foreign Secretary Douglas Hurd and British Minister Hans-Dietrich Genscher said the European Community's recently agreed food credit of 1.25 billion European currency units (\$1.5 billion) for Moscow must be made available soon.

"We must guarantee that food is distributed to prevent real suffering in the Soviet Union in the coming winter," Mr. Genscher said in Leipzig. (AP, Reuters)

Soviets Cut Arms Flow to North Korea

Compiled by Our Staff From Dispatches

SEOUL — The Soviet Union has halted transfers of offensive arms to North Korea, causing confusion in Pyongyang's military planning and increased reliance on developing nuclear weapons, a Seoul newspaper reported Wednesday.

The newspaper, Joong-ang Daily News, said the Soviets stopped the arms shipments at South Korea's request as part of the Moscow-Seoul diplomatic reconciliation.

"Military cooperation between the Soviet Union and North Korea rapidly cooled after the exchange of consular offices between Seoul and Moscow in 1989," the paper quoted a senior official as saying.

"It was confirmed that the Soviets stopped selling offensive weapons to North Korea after Seoul, agreeing to a \$3 billion economic cooperation package for the Soviet Union, made a request to that effect," it said.

South Korea and the Soviet Union entered into full diplomatic relations Sept. 30, 1990, for the first time. They agreed on the economic cooperation deal in January.

(UPI, AP)



Under the image of a Soviet soldier, a military instructor reviewed the troops at an army base in Kiev during a heavy snowstorm.

In Earnest, Ukraine Tackles Statehood

By Serge Schmemmann

New York Times Service

KIEV, U.S.S.R. — Real statehood may still be a distant glimmer and the way to it hazy, but the Ukraine is demonstrating with increasing force that its drive to independence is not a passing whim.

Recently, the Ukraine declined to join eight other republics in signing an economic agreement and refused to send delegates to a new union parliament.

A new Ukrainian currency is being printed in Canada, and all candidates to a new executive Ukrainian presidency vote scheduled for Dec. 1 have come out staunchly for independence.

Then last week the Ukrainian parliament passed a flurry of measures further staking out its claims to sovereignty, including authorizations for a 400,000-man army and a central bank.

Western governments until recently looked at the Ukraine's claims with some skepticism, presuming that in the end the Ukraine would join with Russia and Byelorussia at the core of a new, looser union. But they are beginning to look more seriously at the independence claims of a republic of 52 million that could become the fourth most populous nation in Europe.

If the Ukraine sought the same kind of independence that was won by the three Baltic republics, that would in effect be an end to the Soviet Union.

Political leaders in Kiev acknowledged that many of the measures, most notably the army move, are more symbolic than feasible. They predicted, further, that the Ukraine probably would sign the economic agreement before long, though with reservations.

But even those Ukrainian politicians who express exasperation with their parliament's naive readiness to adopt anything that defies Moscow or plays to Ukrainian nationalism are adamant that full sovereignty is an incontestable goal, which is likely to win strong approval Dec. 1.

"All the dynamics of Ukrainian politics are toward independence," a Western diplomat said.

The Ukrainian leader, Leonid M. Kravchuk, recently visited the United States, and Western officials now arrive in Kiev with increasing frequency — and not just at the tail end of a visit to Moscow.

Recent visitors from Washington included the secretaries of agriculture and the Treasury and a deputy secretary of defense. Foreign Minister Hans-Dietrich Genscher of Germany visited as well.

In the Russian Republic, too, the idea is slowly taking hold that the Ukraine's participation in any new union can no longer be taken for granted.

There are still strong rumbles among Russians that parts of the Ukraine are really Russians, notably the Crimea and Odessa.

But the Russian leadership under Boris N. Yeltsin has accepted that internal borders are best left as they are.

Further, Mr. Yeltsin has accepted in principle the Ukraine's right to go it alone, although it seems that most Russians think the Ukraine will take part in some kind of association.

"There is still a Russian psychology that holds that the Ukraine and Byelorussia can never have pretensions to independent statehood," said Les Tanyuk, head of the Ukrainian parliamentary commission on culture and a member of the Rukh nationalist movement.

"Some of our Ukrainian leaders, like Fokin and Kravchuk, are still of that old school, always trying to please the Russians," he said. "That's why we have to fight against any revival of the center." He added, "That's why we can have an economic agreement with other republics, but never an economic association."

Vitold Fokin, the prime minister, was previously head of the Ukrainian branch of Gosplan, the central planning agency, and Mr. Kravchuk was formerly a Communist Party official in charge of ideology.

But a new wave of politicians from the Ukraine, some ethnic Russians among them, are increasingly irritated by any hint of condescension from Moscow or the West.

The Russian-dominated central television is accused of treating Ukrainian developments in a patronizing and skeptical tone.

The politicians seem especially irritated by the West's continuing preference for dealing with Mikhail S. Gorbachev.

"People come and tell us, look here, Europe is uniting and you're disuniting," said Viktor I. Antonov, the Ukrainian minister for the defense complex and military conversion. "But for 70 years we lived under the myth of unity. For 70 years Moscow told us, don't meddle, just produce what we tell you to produce."

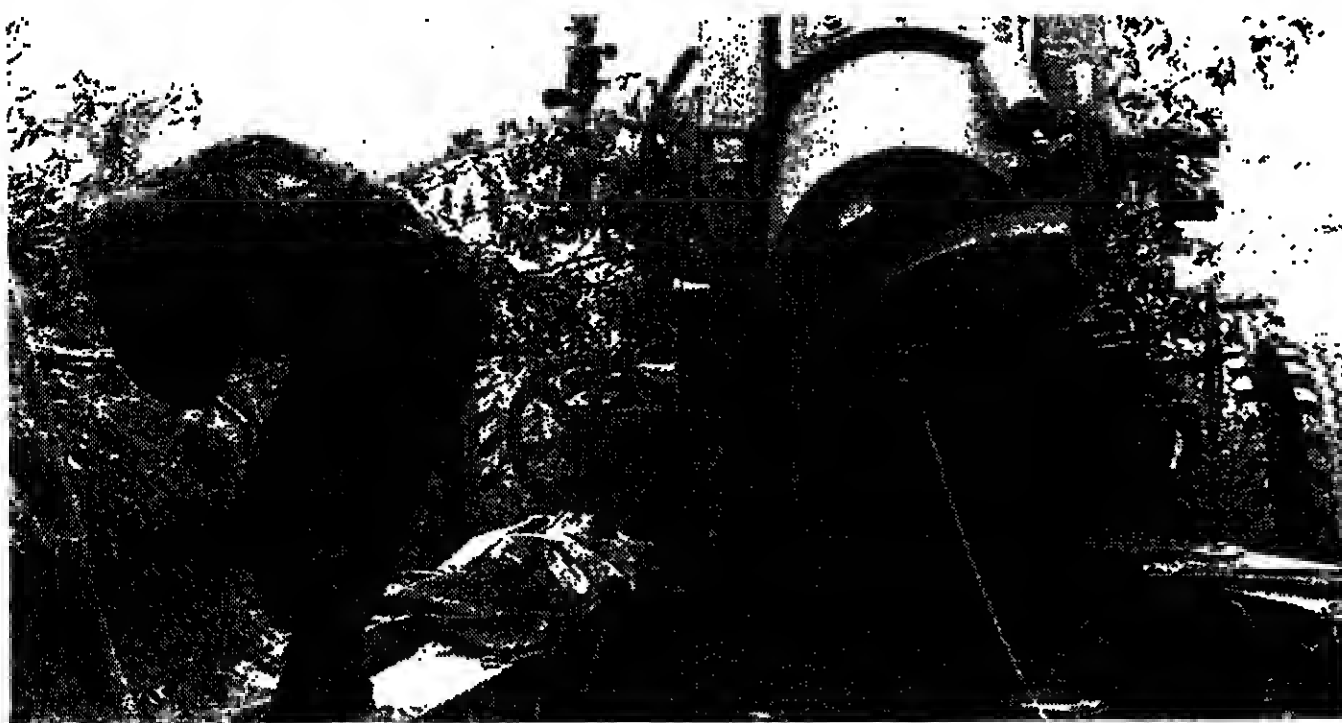
The idea that the Ukraine will never get a fair break from Moscow unless it establishes its independence runs strong. None of the leaders deny that the Ukraine cannot go it alone economically, given the elaborate links with Russia and other republics and especially its dependence on Russian oil.

Among issues that must still be negotiated, he said, are the distribution of the property of the former union, much of which is in Russia.

But in the Ukraine, as in the Russian Republic and elsewhere around the union, the basic to break free of the old empire — already referred to in official Ukrainian documents as "the former union" — is not matched by any concrete idea of how to do it, or what "independence" entails.

For now, independence is still seen largely in negative terms — as a break from Moscow, whether dominated by Communists or Russians. It is also seen as an accumulation of the outward attributes of a nation, such as an army or a currency.

"When the talk is of creating an army," Mr. Antonov said, "everyone applauds. But when economists speak about the problems of going it alone, nobody listens."



A Croatian soldier readying himself for his cannon to return the Yugoslav Army's fire on Wednesday in Pokupsko, near Zagreb.

Yugoslav Navy Lets Aid Flotilla Near Dubrovnik

Reuters

DUBROVNIK, Yugoslavia — The Yugoslav Navy on Wednesday scuttled a flotilla of Croatian relief boats for weapons before allowing it to pass through a blockade to the medieval port of Dubrovnik.

The ferry Slavija, with the Yugoslav president, Stipe Mesic, aboard, was waiting at the eastern tip of Mlet Island for the fishing and tourist boats to be checked at a nearby port.

The flotilla was then to set out for the two-hour trip to Dubrovnik, which has been besieged for a month by the Serb-led federal army and navy. A fragile truce has been in effect around the city since Friday.

The army imposed a blockade on Dubrovnik to force out militiamen from the rebel republic of Croatia.

Fighting between the army and Croatian forces last week damaged popular tourist towns along the Adriatic coast, ending with the army camped a kilometer from Dubrovnik.

Without electricity and low on food and water, 50,000 men, women and children are trapped in the city.

Mr. Mesic, Croatia's representative in the collective federal presidency, set out with the flotilla to call international attention to the plight of those trapped in the town.

The navy has begun letting more ships through in recent days. It said the ferry Balkanija unloaded 80 tons of humanitarian aid, mostly food, on Wednesday and left with 41 refugees.

In northeastern and central Croatia, fighting with heavy artillery, mortars, tanks and planes was reported on Wednesday.

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'Boat People' Appeal To U.S. on Deportation

Compiled by Our Staff From Dispatches

HONG KONG — Vietnamese at Hong Kong's largest refugee camp repeated their threats of mass suicide Wednesday and made an emotional appeal to Washington to help block their forced repatriation.

Three spokesmen at Whitehead detention center, the largest of 11 camps, said they were depending on the United States to stop Hong Kong from deporting more than 50,000 of the boat refugees who have sought asylum here.

"If we had a chance to talk to President Bush we would appeal to his humanity to save our lives in this terrible situation," one of the leaders said. "We believe that the Americans will not let us down. They will help us in one way or another."

"The United States is the very country which we place most hope in," another leader said. "The U.S. is our big brother. We strongly believe that the U.S. will help us."

Responding to the British announcement that an agreement had been signed with Vietnam opening the way for the forcible repatriation of most of the 64,000 refugees here, a State Department spokesman said: "We oppose forced or mandatory repatriation. We expect that under this agreement there would be no use of force."

U.S. officials were vague about what steps the United States might take if Britain did use force to return refugees to Vietnam.

Administration officials said that they understood the problems

Britain faced in Hong Kong, with the thousands who do not qualify as political refugees because they could not prove that they would be persecuted if they went back.

But they said that as far as they knew, President George Bush had not given Prime Minister John Major any reason to expect the United States to acquiesce if Britain used force to expel refugees from Hong Kong.

Vietnam did not immediately comment on the possibility of having its countrymen forced home. During a trip to Thailand, however, Prime Minister Vo Van Kiet did say Wednesday: "We have declared repeatedly it is our policy that Vietnamese compatriots leaving our country for whatever reasons, and if the countries in the region do not accept them, we, the Vietnamese government, have the responsibility to accept them if those countries send them back."

More than half of Whitehead's 24,000 Vietnamese have already been refused political refugee status and face repatriation as economic migrants. (Reuters, NYT)

No Proxy Votes, Algeria Says

The Associated Press

ALGERIA — Algeria's highest judicial body, the Constitutional Council, has ruled that proxy voting by men for their wives is unconstitutional, a decision that could have repercussions during legislative elections in December, the official Algerian news agency reported.

"It required a little bit of courage for us," said Tahakki Okazaki, who heads the Yomiuri Shimbun's department of advertising acceptability. "But our standards on this point have been going through changes, as the sense of the general public has changed."

The newspaper, he said, received about 50 calls of complaint, "many fewer than we expected."

Vogel Quits Leadership Of Bundestag Socialists
Reuters

BONN — The German opposition veteran Hans-Jochen Vogel, who restored peace within the divided Social Democratic Party in the 1980s, says he will step down from his remaining leadership post.

Mr. Vogel, 63, said at a party meeting that he wanted a younger politician to take over as head of the Social Democratic group in parliament when his term expires in December.

WORLD BRIEFS

French Troops Prepare to Exit Zaire

KINSHASA, Zaire (Combined Dispatches) — French paratroops finished evacuating their nationals Wednesday and prepared to leave Zaire, where President Mobutu Sese Seko remained locked in a power struggle with opposition leaders.

France said its 150 paratroops in Kinshasa would depart Thursday. Belgium, which still has about 750 elite troops in Zaire overseeing the evacuation of foreigners, has defied Mr. Mobutu's order to pull its troops out immediately. Belgian military sources said Wednesday that there were more than 1,000 Belgians still in Kinshasa waiting to be airlifted to safety.

Mr. Mobutu summoned the Belgian ambassador, Jean Coene, on Wednesday and renewed his order for an immediate withdrawal. He said he had contacted the Organization of African Unity and the United Nations about the issue of Belgium's reluctance to comply with his original order, which was made Tuesday. (AP, AFP, Reuters)

France to Pay Transfusion Victims

PARIS (Reuters) — The French government said Wednesday that it would grant compensation to people infected with AIDS by blood transfusions from 1980 to 1985, as evidence grew that health authorities knowingly used contaminated blood.

The Finance Ministry said details of a plan financed by the government and insurance companies to compensate about 5,600 people, including the families of people who died of AIDS, were still under negotiation with insurance officials.

Hemophilic associations say 200 people have died from transfusions of blood infected with the AIDS virus. A Health Ministry report has accused the National Blood Transfusion Center of having delayed the use of a heat treatment to disinfect blood in order to use up untreated stock.

Judge in Rape Trial Rejects TV Ban

WEST PALM BEACH, Florida (AP) — The judge in the rape trial of William Kennedy Smith on Wednesday rejected his lawyers' pleas that the ban television cameras from the jury selection process.

A defense lawyer, Roy Black, argued that television coverage would make jury selection, which begins Thursday, more difficult by making potential jurors uncomfortable about speaking freely. But Judge Mary Lupo said they would be given questionnaires and could ask to answer sensitive questions in private. The judge had already ruled that cameras would be allowed during the main portion of the trial.

Mr. Smith, 31, the nephew of Senator Edward M. Kennedy, Democrat of Massachusetts, is accused of raping a 30-year-old woman at the family estate in Palm Beach in March. He has pleaded not guilty.

Bonn Traded Arms Data With Israel

BONN (Reuters) — A secret weapons shipment for Israel intercepted by the German police was part of a long-standing deal between Germany and Israel to trade information on Soviet-built arms, a senior defense official said Wednesday.

The Defense Ministry said the shipment of former East German hardware did not include tanks, contrary to initial reports. A list of the equipment issued by the ministry cited 20 vehicles and ramps for radar and missile launchers, many on tracks similar to tanks. Harbor police in Hamburg, suspecting illegal arms sales, seized the weapons on Saturday.

The Defense Ministry official, Willi Wimmers, told parliament that the shipment was requested by the Israeli secret service Mossad. He said that since 1967, Israel and the former West Germany had "cooperated in the area of evaluating foreign weaponry."

U.S. Food-Stamp Use at Record High

WASHINGTON (AP) — Enrollment in the federal food-stamp program has hit record levels. Nearly one in 10 Americans now relies on the government to help put food on the table, according to Agriculture Department records.

The department said that a record 23.7 million citizens received food stamps in August; a year ago, 20.49 million were enrolled. Participation in the program started setting records in March, when 22.9 million people received help, which topped the high of 22.6 million in 1983.

To qualify for stamps, a family must show that its net income does not exceed 100 percent of federal poverty guidelines — or \$1,117 per month for a family of four. The average payment through July was \$63.82 per month. The program cost \$1.6 billion in August.

Panel Rejects Ban on Abortion Data

WASHINGTON (NYT) — A House-Senate conference committee has voted to overturn the federal regulation forbidding doctors and counselors at federally supported family planning clinics from telling pregnant women that abortion is one of their choices.

The provision that would void the rule was part of a \$204 billion bill to finance three government departments in the fiscal year that began Oct. 1. The bill is expected to win easy approval in both houses of Congress but to be vetoed by President George Bush because of the counseling provision.

Both sides seemed to relish the battle. White House officials said they had the votes to sustain a presidential veto, but congressional aides said the rule, which was adopted by the Reagan administration in 1988 and upheld by the Supreme Court this year, was so unpopular that this would be the best chance to deal the first veto-override of Mr. Bush's presidency.

TRAVEL UPDATE

KLM will put three new Boeing 737-400s to work on its winter schedule, raising the number of the Dutch airline's planes capable of intercontinental flights to 12, and will start regular daily flights between Budapest and Amsterdam, a representative said Wednesday. (AP)

The Weather

Forecast for Friday through Sunday



Legend: ☁ Unusually Cold ☁ Unusually Warm ☁ Heavy Rain ☁ Heavy Snow

North America: Windy with rain or snow in New York City Friday, followed by a cold front. Rain Friday into Saturday. Windy with rain or snow in New York City Friday, followed by a cold front. Rain Friday into Saturday.

Europe: A series of storms will buffet Ireland, western Great Britain and northwestern France Friday into Saturday. Windy with rain or snow in New York City Friday, followed by a cold front. Rain Friday into Saturday.

Asia: Rain will hit Tokyo Friday and perhaps again this weekend. Mainly dry weather in Hong Kong, Taipei, Seoul and Shanghai. It could snow this weekend in Seoul. In Southeast Asia, passing showers may interrupt the warm season.

Europe: Today High/Low: 19/12, 18/10, 17/9, 16/8, 15/7, 14/6, 13/5, 12/4, 11/3, 10/2, 9/1, 8/0, 7/-1, 6/-2, 5/-3, 4/-4, 3/-5, 2/-6, 1/-7, 0/-8, -1/-9, -2/-10, -3/-11, -4/-12, -5/-13, -6/-14, -7/-15, -8/-16, -9/-17, -10/-18, -11/-19, -12/-20, -13/-21, -14/-22, -15/-23, -16/-24, -17/-25, -18/-26, -19/-27, -20/-28, -21/-29, -22/-30, -23/-31, -24/-32, -25/-33, -26/-34, -27/-35, -28/-36, -29/-37, -30/-38, -31/-39, -32/-40, -33/-41, -34/-42, -35/-43, -36/-44, -37/-45, -38/-46, -39/-47, -40/-48, -41/-49, -42/-50, -43/-51, -44/-52, -45/-53, -46/-54, -47/-55, -48/-56, -49/-57, -50/-58, -51/-59, -52/-60, -53/-61, -54/-62, -55/-63, -56/-64, -57/-65, -58/-66, -59/-67, -60/-68, -61/-69, -62/-70, -63/-71, -64/-72, -65/-73, -66/-74, -67/-75, -68/-76, -69/-77, -70/-78, -71/-79, -72/-80, -73/-81, -74/-82, -75/-83, -76/-84, -77/-85, -78/-86, -79/-87, -80/-88, -81/-89, -82/-90, -83/-91, -84/-92, -85/-93, -86/-94, -87/-95, -88/-96, -89/-97, -90/-98, -91/-99, -92/-100, -93/-101, -94/-102, -95/-103, -96/-104, -97/-105, -98/-106, -99/-107, -100/-108, -101/-109, -102/-110, -103/-111, -104/-112, -105/-113, -106/-114, -107/-115, -108/-116, -109/-117, -110/-118, -111/-119, -112/-120, -113/-121, -114/-122, -115/-123, -116/-124, -117/-125, -118/-126, -119/-127, -120/-128, -121/-129, -122/-130, -123/-131, -124/-132, -125/-133, -126/-134, -127/-135, -128/-136, -129/-137, -130/-138, -131/-139, -132/-140, -133/-141, -134/-142, -135/-143, -136/-144, -137/-145, -138/-146, -139/-147, -140/-148, -141/-149, -142/-150, -143/-151, -144/-152, -145/-153, -146/-154, -147/-155, -148/-156, -149/-157, -150/-158, -151/-159, -152/-160, -153/-161, -154/-162, -155/-163, -156/-164, -157/-165, -158/-166, -159/-167, -160/-168, -161/-169, -162/-170, -163/-171, -164/-172, -165/-173, -166/-174, -167/-175, -168/-176, -169/-177, -170/-178, -171/-179, -172/-180, -173/-181, -174/-182, -175/-183, -176/-184, -177/-185, -178/-186, -179/-187, -180/-188, -181/-189, -182/-190, -183/-191, -184/-192, -185/-193, -186/-194, -187/-195, -188/-196, -189/-197, -190/-198, -191/-199, -192/-200, -193/-201, -194/-202, -195/-203, -196/-204, -197/-205, -198/-206, -199/-207, -200/-208, -201/-209, -202/-210, -203/-211, -204/-212, -205/-213, -206/-214, -207/-215, -208/-216, -209/-217, -210/-218, -211/-219, -212/-220, -213/-221, -214/-222, -215/-223, -216/-224, -217/-225, -218/-226, -219/-227, -220/-228, -221/-229, -222/-230, -223/-231, -224/-232, -225/-233, -226/-234, -227/-235, -228/-236, -229/-237, -230/-238, -231/-239, -232/-240, -233/-241, -234/-242, -235/-243, -236/-244, -237/-245, -238/-246, -239/-247, -240/-248, -241/-249, -242/-250, -243/-251, -244/-252, -245/-253, -246/-254, -247/-255, -248/-256, -249/-257, -250/-258, -251/-259, -252/-260, -253/-261, -254/-262, -255/-263, -256/-264, -257/-265, -258/-266, -259/-267, -260/-268, -261/-269, -262/-270, -263/-271, -264/-272, -265/-273, -266/-274, -267/-275, -268/-276, -269/-277, -270/-278, -271/-279, -272/-280, -273/-281, -274/-282, -275/-283, -276/-284, -277/-285, -278/-286, -279/-287, -280/-288, -281/-289, -282/-290, -283/-291, -284/-292, -285/-293, -286/-294, -287/-295, -288/-296, -289/-297, -290/-298, -291/-299, -292/-300, -293/-301, -294/-302, -295/-303, -296/-304, -297/-305, -298/-306, -299/-307, -300/-308, -301/-309, -302/-310, -303/-311, -304/-312, -305/-313, -306/-314, -307/-315, -308/-316, -309/-317, -310/-318, -311/-319, -312/-320, -313/-321, -314/-322, -315/-323, -316/-324, -317/-325, -318/-326, -319/-327, -320/-328, -321/-329, -322/-330, -323/-331, -324/-332, -325/-333, -326/-334, -327/-335, -328/-336, -329/-337, -330/-338, -331/-339, -332/-340, -333/-341, -334/-342, -335/-343, -336/-344, -337/-345, -338/-346, -339/-347, -340/-348, -341/-349, -342/-350, -343/-351, -344/-352, -345/-353, -346/-354, -347/-355, -348/-356, -349/-357, -350/-358, -351/-359, -352/-360, -353/-361

Senate Panel Backs Hostages Inquiry

Vote Follows Partisan Debate Over Claims of 1980 Deal to Help Reagan

By Neil A. Lewis
New York Times Service

WASHINGTON — In an atmosphere of intense partisan combat, the Senate Foreign Relations Committee has narrowly voted to authorize an investigation into whether the Reagan presidential campaign struck a deal with Iran in 1980 to delay the release of American hostages until after the election.

The committee voted largely along party lines to spend about \$600,000 for six months to look into the allegations that have tantalized Democrats and infuriated Republicans. The House is set to launch a parallel investigation of the same issue with its own panel.

The \$600,000 figure is a relatively modest sum and congressional officials said it would keep the investigative panel in business for only six months, a brief time to explore the complicated allegations. By contrast, the Iran-contra and Watergate investigations cost many millions each.

Democratic leaders in the Senate and House of Representatives agreed in August to investigate the allegations, but the vote on Tuesday was one of the first concrete steps taken to carry out that decision.

There have been reports for years that during the 1980 campaign Republicans feared an "October surprise," an 11th-hour breakthrough on the hostages who had been held at the U.S. Embassy in Tehran since November 1979, which might have helped President Jimmy Carter on Election Day.

The sharp partisan fighting at the committee meeting on Tuesday is probably a taste of what is to come as the Congress delves into the persistent but unproven allegations that Reagan campaign aides made a secret deal with the Iranian government to prevent Mr. Carter from gaining any electoral advantage from having the hostages released before the election.

It remains unclear whether the partisan differences will hamper any investigation. Even though Republicans will continue to object, they are largely powerless to prevent the process being set in motion.

Interest in the charges was heightened last spring with the publication on April 15 of an article on the Op-Ed page of The New York

Times by Gary Sick asserting that William P. Casey, the Reagan campaign chairman, met with officials of the Iranian government in July 1980 in Madrid and negotiated such a deal.

Mr. Sick, a National Security Council aide in the Carter administration, is an adjunct professor of Middle East politics at Columbia University.

Other articles and broadcasts have provided circumstantial evidence that Mr. Casey, who died in 1987, and others who Mr. Sick said were intermediaries were in Madrid at that time.

But Republicans on the Foreign Relations Committee argued forcefully on Tuesday that any effort by Congress to investigate the allegations was nothing more than an effort to embarrass President George Bush and gain political advantage in advance of the 1992 presidential campaign.

"You are determined to pursue this for a partisan political advantage," said Senator Richard G. Lugar of Indiana. Mr. Lugar and other Republicans successfully pressed the committee to accept an amendment that would broaden the investigation to include Mr. Carter's possible involvement in negotiating with Iran to obtain the hostages' release.

When Senator Christopher J. Dodd, Democrat of Connecticut, objected that such an amendment would make the investigation meaningless, Mr. Lugar retorted:

"If you're going to go after President Reagan and President Bush, we have every right to go after President Carter. We have every right to go after President Carter and the secretary of state and whoever."

Caught in the middle of the partisan conflict was Senator James M. Jeffords of Vermont, the only Republican to agree to go along with the investigation. Mr. Jeffords, the senior Republican on the subcommittee on the Middle East, had earlier agreed to conduct the investigation jointly with Senator Terry Sanford, Democrat of North Carolina, the subcommittee's chairman.

Mr. Jeffords, who voted "present" as the panel approved the resolution on a 9-to-8 vote, said he believed that the Republicans would benefit from an investigation. He said he was confident it would disprove the allegations.

'If you're going to go after President Reagan and President Bush, we have every right to go after President Carter.'

Senator Richard G. Lugar,
Republican of Indiana

Soviet Spies Stay Busy In the U.S., FBI Asserts

By George Lardner Jr.
Washington Post Service

WASHINGTON — An FBI counterintelligence official says that most former Warsaw Pact nations have stopped spying in the United States but that espionage by the Soviet Union continues unabated.

The official, Harry B. Brandon, the FBI's deputy assistant director for intelligence, said Tuesday that Poland, Czechoslovakia and Hungary had "shut down" espionage operations in the United States in the last eight months.

What had been East Germany's spy service, he added, is out of business.

Romanian and Bulgarian intelligence agents, he said, are still at work, but at a reduced pace.

By contrast, Mr. Brandon said, the Soviet Union's spies are working overtime, partly because the payoff for economic data is so great and also because their old satellites are not working for them any more.

Since the failure of the August coup by Soviet hard-liners, he said, "we have seen absolutely no change whatsoever" in the Soviet intelligence "collection level in the United States — none whatever."

In fact, he said, that level has increased the last two years.

Mr. Brandon emphasized, however, that the targets had changed now that the Cold War is over.

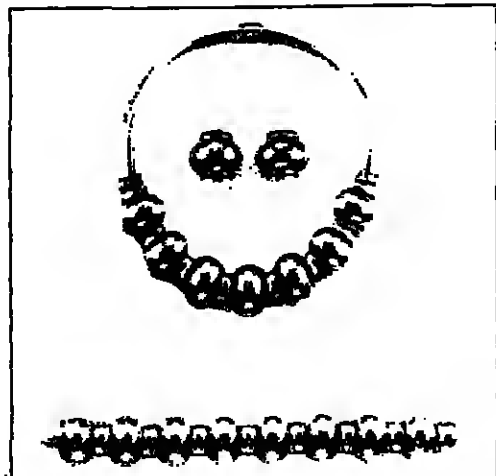
In the past, U.S. military and strategic secrets were the top priority of Soviet spies, but now, he said, these are No. 3, behind political and economic, and scientific and technological information.

Explaining the halt in East European espionage in the United States, Mr. Brandon said several countries "have come to us in the last two or three years and said, 'Our government has changed.'"

He said that they had been advised, in turn, to shut down their collection activities in the United States.

"That has basically happened," Mr. Brandon said.

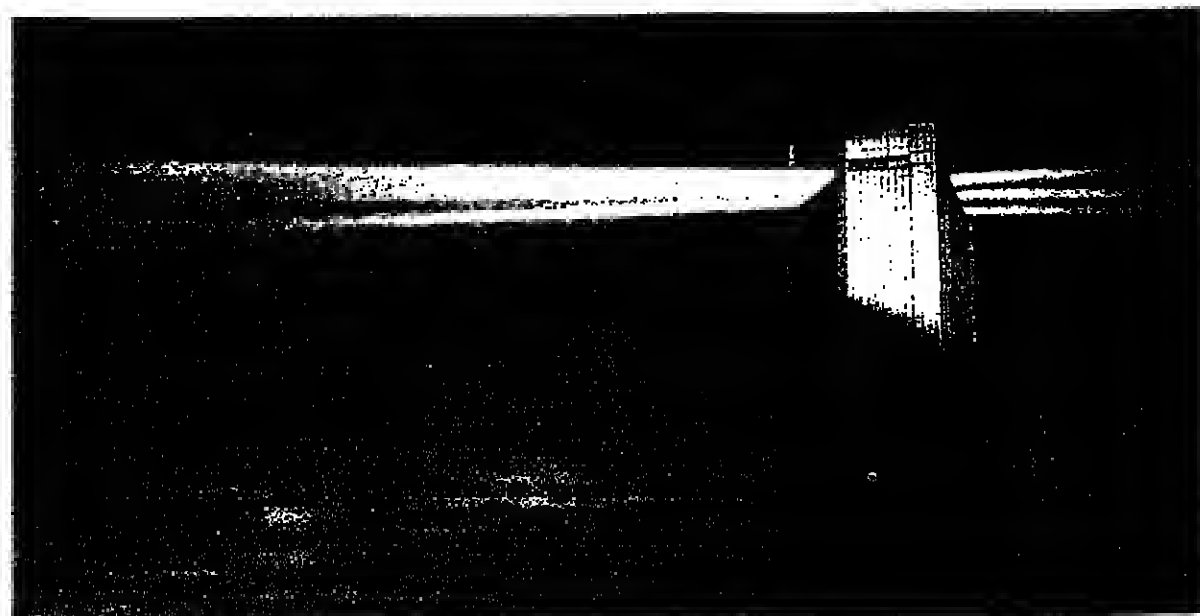
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fascinating themes, navigation and the sea, will be presented by many participating countries bringing together technology, ecology and culture into one spectacular vision. But there are more reasons to go to Genoa. The Exhibition will coincide with the rejuvenation of the historical city center, based on a vast project by Genoa - born Renzo Piano, one of the world's leading architects. Investing in the city's future, the restoration will give new life to the Old Harbour docks and warehouses, to which major new permanent facilities will be added. In particular, a number of important international meetings - some of them sponsored by the United Nations - will be held in

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THE MEETING IN MADRID: 'Those taking part in this will suffer the wrath of nations'



Pro-Iranian activists burning U.S. and Israeli flags Wednesday at a Beirut protest against the talks.

Iran Seeks Death of Participants in 'Treason' Talks

Compiled by Our Staff From Dispatches

TEHRAN — Iran's supreme religious leader denounced the Middle East peace conference Wednesday as treason, and a powerful Iranian hard-liner urged Muslims throughout the world to kill those taking part.

Ayatollah Sayed Ali Khamenei, successor to Ayatollah Ruhollah Khomeini, said the historic talks between Israel and its Arab neighbors had been forced on the Muslim world.

"Those taking part in this treason will suffer the wrath of nations," he told military graduates in a speech broadcast by Tehran radio.

Ali Akbar Mohtashemi, a leading legislator and the former interior minister, singled out President George Bush as "the most hated individual" and said he would be punished.

Denouncing the Madrid talks as a "declaration of war on Islam," Mr. Mohtashemi told the Majlis, or parliament, that according to Islamic law, the participants in the Madrid conference were waging war on Islam and "they must face the death sentence."

"It's the duty of Muslims in the world to carry that out," he added.

In Beirut, about 10,000 pro-Iranian Muslim militants demonstrated in the bombed-

out ruins of the former U.S. Embassy, vowing to confront the peace talks with war.

Protesters shouting "We will fight!" and "Death to America! Death to Israel!" marched to the embassy ruins in a show of anger at the opening of the meeting.

"We turn to Madrid, the center of treachery, to say enough carelessness with this nation's honor and dignity," said Sheikh Abbas Musawi, head of the Muslim fundamentalist group Hezbollah, or Party of God. Sheikh Musawi said Muslims everywhere should wage a holy war against Israel.

"We call on people in the Islamic world to make one and only choice and that is the declaration of armed jihad," he said, speaking at the former embassy.

In an attack on the embassy by a suicide bomber in April 1983, 63 Americans and Lebanese were killed.

In Lebanon on Tuesday, unidentified men fired a rocket-propelled grenade into the heavily fortified U.S. Embassy compound in a Beirut suburb, causing light damage but no casualties.

In retaliation for raids by guerrillas opposed to the Madrid talks, Israeli troops and their Lebanese militia allies hit parts of southern Lebanon on Wednesday.

Security sources in Tyre, Lebanon, said Israeli troops and the Israeli-backed South

Lebanon Army militia fired more than 200 artillery shells into the area around the town of Nabatieh.

The shelling followed two attacks on Tuesday by pro-Iranian Muslim fundamentalist guerrillas. Three Israeli soldiers were killed and six were wounded. Two guerrillas died and one was captured.

Israeli helicopters retaliated with raids on a Palestinian refugee camp and Hezbollah's Nahariyah office. One refugee was killed and five people were wounded.

In the Israeli-occupied territories, rival Palestinian factions battled with knives and chains Wednesday as supporters of the Madrid conference tried to break a strike protesting the meeting.

In several locations, troops fired to disperse stone-throwing followers of the Muslim fundamentalist Hamas movement. Arab reporters said. They said one Palestinian was killed and at least 13 were wounded by the gunfire.

The general strike, observed in most of the West Bank and Gaza Strip, was called by Hamas and two pro-Syrian Palestine Liberation Organization factions that consider the Madrid talks a betrayal of the Palestinian cause.

Activists of the mainstream PLO faction Fatah, which is led by Yasser Arafat and

supports the conference, tried to stop the Hamas protest. They removed stone barricades, doused burning tires and pulled black flags of mourning from rooftops.

In Iran, students and teachers in the holy city of Qum suspended classes and demonstrated against the peace talks. The protesters, quoted by Tehran radio, vowed to fight to liberate Jerusalem.

Mr. Mohtashemi told the Majlis that the conference was a sellout for Palestinians.

"Today the great tragedy of the world of Islam is taking shape and beginning in Madrid at the hands of the criminal America and with the signature of the hiring Arab leaders and some treacherous Palestinian leaders," he said.

He added that "the objective" of the conference was "to stabilize the occupying Zionist regime," to destroy Palestine and Jerusalem, and "begin confrontation with Islam."

"The leaders of the Islamic states are endorsing this immense treachery through their deadly silence," Mr. Mohtashemi said.

He denounced Mr. Bush as "the first-degree criminal" and "the most hated individual," and said that Hezbollah militants would wreak vengeance.

"The countdown has begun," Mr. Mohtashemi said. "Today marks the arrival of the point of hostile confrontation between 1.2 billion Muslims and Israel." (Reuters, AP)

Palestinians' Potent Weapon: The Khalidi Cousins

By Youssef M. Ibrahim

New York Times Service

MADRID — One was born in Jerusalem and speaks English with an Oxford accent. The other is a New Yorker at heart and coaches Little League baseball in Chicago. Both are Palestinian-Americans, eminent scholars at U.S. universities, members of one of the oldest and best known Palestinian families of Jerusalem.

Together, they are a potent weapon in the negotiating arsenal of the joint Palestinian-Jordanian delegation, supplying research material, knowledge and position papers to back up the Palestinian claim to self-determination in the Middle East regional peace conference that started here Wednesday.

Indeed, as the strategies in those talks evolve, it is becoming clear that Walid and Rashid Khalidi have their scholarly imprimatur all over the voluminous files being readied by scores of Palestinian researchers.

Their energy and organizational skills are important factors behind the Jordanian-Palestinian effort in the talks.

Walid Khalidi, 65, is the senior member of the Jordanian delegation. Rashid, 43, is an adviser to the Palestinians.

As first cousins, they trace the origin of their family, whose name and accomplishments are prominent in Jerusalem, to Khalid bin Walid, the military commander of the troops that fought for the Prophet Mohammed after he founded the Islamic religion in the seventh century.

A library in Jerusalem, the Khalidiya, contains an extensive collection of works on Palestinian culture and folklore.

"Khalidi is a big name in Palestinian history," said Mayor Elias Freij of Bethlehem, a member of the Palestinian delegation. "I think the name alone conveys a lot of presence in the Palestinian consciousness."

"We are particularly lucky to have Walid in the Jordanian delegation," he said. "The man's knowledge and stature command authority with everybody — even, I think, the Israelis."

Nuhar Hovsepian, a lecturer in politics at Hunter College in New York, who was once a student of Walid Khalidi's at the American University in Beirut, said: "I think the reason the Jordanians and the Palestinians wanted Walid in their delegation is that he can be a very tenacious adversary to the Israelis if they drag out historical facts. The man has a formidable knowledge of the whole issue from its historical, sociological and political perspective."

Many Palestinians refer to Walid Khalidi, a research fellow at Harvard's Center for Middle East Studies and a graduate of Oxford, as a "walking encyclopedia" of Palestinian affairs.

He was born in Jerusalem in 1926 and left the city with his family in 1948, the year Israel was founded and the time of the first wave of mass emigration by Palestinians. Rashid Khalidi was born in 1948 in New York City, where his father worked for the United Nations. He learned Arabic later when the family was sent to several Arab countries.

The differences between them in demeanor and style are striking.

Walid Khalidi — with his grey hair, slightly skewed necktie and elegant suits — is a

man with wide connections throughout the Arab world and is seen by Palestinians as eminent, a soft-spoken, authoritative and publicity-shy person who has little patience for tools.

By contrast, Rashid Khalidi is an outgoing man who is widely known among the Western press corps and frequently appears on American television programs, where he comments on the Mideast.

He directs the Middle East Studies Center at the University of Chicago and speaks with a New York accent. His cousin shies away from public events and prefers one-on-one meetings with Arab leaders whom he has advised over the years. Those have included King Hussein of Jordan and the former Egyptian president, Gamal Abdel Nasser, among many others.

Both bring a commitment to the Palestinian cause and a strong sense of pragmatism as well as a knowledge of Western culture. Both are American citizens. Their connections to Western cultural and political institutions make them particularly valuable for the Jordanians and Palestinians, who need friends in the West to underpin their negotiating stands.

"We are here as an act of faith in the American administration's commitment to bring peace to the Middle East," said Walid Khalidi, who was one of the first Palestinians to call for a two-state solution in the region, in an article published in 1978 in the journal Foreign Affairs titled "Thinking the Unthinkable."

Both men recognize that the Madrid talks will heavily tax their nerves and family lives. Walid Khalidi has a son, Ahmad, a political

analyst who is active in the Palestinian cause, and a daughter who lives with her parents in Boston. Rashid Khalidi has a son and two daughters who live in Chicago. His wife, Mona, works in the University of Chicago's library.

"I am a historian," Rashid Khalidi said. "If I had a choice, I would spend the rest of my life studying history. Frankly, I don't know if getting involved in these talks is what I want to do, but I have to do it. After all, we may get peace in the Middle East here."

Jordanian Puts a Deal Ahead of Handshakes

Reuters

MADRID — The Jordanian foreign minister, Kamal Abu Jaber, harangued by pro-Israeli journalists demanding that he embrace the Israeli prime minister, Yitzhak Shamir, said Wednesday that handshakes would have to await a full peace settlement.

"Everybody is so obsessed with the idea of shaking hands," he said. "You come back again and again to this question of kissing Mr. Shamir. Why should I kiss him, for God's sake?"

Israelis see the handshake as a symbol of Arab willingness to coexist in peace. But Arabs say that Israel is seeking symbolic recognition before making concessions on substance.

Mr. Jaber dismissed the issue as "a procedural matter, a formality," and added that shaking hands could come "in time and in place and under the proper circumstances."

'Our Land' Can't Be Traded, Shamir Says

Reuters

NEW YORK — Prime Minister Yitzhak Shamir pleaded for American understanding in the hours before the Middle East peace conference opened, asking where Israelis would live if they traded land for peace.

"It's our land," Mr. Shamir told CBS News in an interview in Madrid, where the conference began Wednesday. "How could we trade with it? How could we give up this land?"

"People say something sometimes about the great Israel," he said in the interview, conducted late Tuesday. "It's ridiculous. It's a very, very small land. Why

have we to give up our small land. Where would we live? Where? On the moon?"

Asked whether the Golan Heights would under any circumstance become negotiable, Mr. Shamir said: "When we sit down with the Syrians, they are entitled to raise any question." But he added that he did not see "any possibility" that "we can give up this tiny piece of land that is essential, essential to our defense."

Asked whether Israel might consider a freeze on building new settlements in the occupied territories, Mr. Shamir replied: "What new buildings? People are coming. We have to live there. We need new buildings. We need more, many more new buildings everywhere in our country."

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THE MEETING IN MADRID: 'Future generations will curse these evil people,' the Iraqi leader says

Far From Peace Table, Saddam Assails 'Enemies'

By Patrick E. Tyler
New York Times Service

BAGHDAD — Isolated and scorned by Arab leaders, President Saddam Hussein of Iraq marked the opening of the Middle East peace conference in Madrid by pinning more medals on his military commanders and calling President George Bush a poisonous snake who along with other Western leaders has become a tool of Zionism.

"It is a great honor to have enemies like these dirty, immoral human beings, led by their worst example, the president of the United States of America," Mr. Saddam told a group of army officers.

The officers received decorations for the roles they had played in what Mr. Saddam continues to call "the mother of battles," referring to the defeat last winter of the Iraqi Army in Kuwait.

The ceremony Tuesday night was the third like it this month. It coincides with a new campaign by Mr. Saddam to buck up national morale for what may be a long siege of suffering for the 18 million people of Iraq if Baghdad fails to submit to the latest UN Security Council resolutions con-

trolling the sale of Iraqi crude oil and the purchase of food and medicines with the proceeds.

Mr. Saddam's remarks were carried in the official Iraqi press Wednesday.

The Iraqi leader accused the United States and its allies of trying "to starve Iraqis to death" with a postwar regime of sanctions that has mostly prevented Iraq from using about \$3.7 billion in frozen accounts in foreign banks to buy food and medicine.

U.S. and allied officials assert that they are not enforcing an embargo on food and medicine, yet Iraqi officials said that their efforts to buy critical food and drug items with these funds had been blocked for months.

With the adoption of UN Resolutions 706 and 712, an intrusive and complex regime has been put in place to supervise the sale of Iraqi crude oil through Turkey. With the proceeds paid into a special UN account, the Iraqis can buy food and medicine, with the deliveries to be supervised by UN officials.

Iraqi cabinet ministers have said in interviews over the last

two weeks that they do not want to submit to the oil-sale regime because they consider it an attempt to undermine Mr. Saddam's control over his economy and because it would put him in the humiliating position of being a supplicant for every cargo of foodstuffs that reached his people.

The Iraqis would rather use their own funds in foreign banks, which could be unfrozen at the discretion of each government.

"Future generations will curse these evil people even in their graves," Mr. Saddam said in his remarks to the army commanders.

"Some people say that had you submitted to their will, you would have eaten a better and fatter morsel," he added, "but we would never have done that."

"I am confident that they will be ashamed of themselves with the passage of every week or month because their history will remain dark for thousands of years to come to their aggression against Iraq," he said, adding, "The Iraqis harvest is not the little food they get, but their harvest is their victory. This is the meaning of the mother of battles."



Advisers to the Palestinian delegates, from left, Hanan Ashrawi, Faisal Husseini and Albert Agazarian, at a news conference in Madrid on Wednesday. Mrs. Ashrawi said that she and the other advisers were "extremely vulnerable" because of a lack of adequate security at the peace talks.

MADRID: One Table, Many Feuds

(Continued from page 1)

combat. Never before had the Arabs offered such collective recognition of the existence of a state whose very being they had long sought to deny through war.

With all its uncertain portents, the gathering seemed a halting start, bereft of the grand and heady gestures and the passion that surrounded the Middle East's last courtship with peace: Anwar Sadat of Egypt breaking all the taboos, traveling to Jerusalem in 1977 to signal an intent that led, two years later, to peace with Israel.

On Wednesday, the taboos seemed just as broken for both sides. A Syrian, Foreign Minister Farouk Shara, sat obliquely across from Israel's prime minister, Yitzhak Shamir, and Palestinians were represented, formally at least, not by the Palestine Liberation Organization but by lesser figures approved by Israel. But the mood was muted.

Like corporate giants assembled before some leveraged fray, adversaries turned their backs to one another as they awaited the moment of their seating, unwilling to face the foe or yield a hint of feeling that might seem weak.

Even when they were seated, no gaze met another: Rather, in the manner of the first blush of youth at the first prom, the covert glance and its hasty disguise were all that passed for communication between adversaries who have provided one another's fascination for 43 years and longer.

As Presidents George Bush and Mikhail S. Gorbachev delivered their opening addresses, Haidar Abdel-Shafi, leader of the Palestinian part of a joint Jordanian-Palestinian delegation, stared pointedly at the table, not raising his eyes to the man opposite him — Mr. Sha-

mir, whose predecessors in government deported him for six months from his native Gaza Strip in 1967.

The Syrian, Mr. Shara, stared rigidly up the table toward the podium, past Mr. Shamir. Only rarely did his gaze flicker briefly toward his adversary, as if drawn despite himself, to see the person Syria has vilified as much as Israel has vilified President Hafez Assad in the region's reciprocal denunciation.

Among the Arabs, only Amr Moussa, the foreign minister of Egypt, which has its own, cold peace with Israel, shook hands with Israeli delegates, underlining the fact that the conference brought together Israelis who control Arab land and Arabs who want it back. Unseen across the table, thus, hovered the destinies of those same lands — the Gaza Strip and southern Lebanon, the West Bank and the Golan Heights. But those were not the only disputes the delegates had shared.

The table was T-shaped, and one look around it revealed most of the feuds that have seized the Middle East in recent decades. Mr. Moussa sat to Mr. Shamir's right, and to the Israeli leader's left sat Foreign Minister Paris Bouez of Lebanon, whose southernmost sliver of territory is controlled by Israel. Opposite the Lebanese official sat Mr. Shara, whose country has steered and maneuvered Lebanon with scant restraint since its army first entered the land in 1976.

And so, despite histories scrawled in pain, they came to the 18th century Royal Palace, wafted along driveways to limousines, fussed and fretted over by outriders and security men. They climbed a long, broad ceremonial staircase to the Hall of Columns, where King Juan Carlos I met them below chandeliers. Although flags were

Where They Sit At the Table



The New York Times

barred from the table, so as to avoid dispute over a Palestinian flag, the emblems of nations and would-be nations came anyhow.

Several Israelis wore yarmulkes. Amid the dark rows of business suits, Abdullah Bishara, secretary-general of the Gulf Cooperation Council, and Prince Bandar bin Sultan, Saudi Arabia's ambassador to the United States, wore robes and headdresses.

Directly opposite Mr. Shamir — catching his reluctant eye — sat a controversial Palestinian delegate, Saeb Erekat, who had said before the conference that he would speak for the PLO.

Mr. Erekat did not speak Wednesday, but his attire and presence did. Draped over the shoulders of his business suit was a black-and-white checkered kaffiyeh — the headdress that has become the very emblem of the PLO,

REWARDS: Bush, Reaping Fruit of Gulf Victory in Madrid, Now Faces Discord at Home

(Continued from page 1)

the plight of the remaining American hostages touches most Americans deeply.

To many policy-makers, the catastrophic situation in the Soviet Union, of which President Mikhail S. Gorbachev spoke so candidly Wednesday, and the emerging shape of Eastern and Western Europe, seem deserving of higher priority. To many voters — most of them, according to recent polls — Mr. Bush seems far too inattentive to domestic economic problems.

As if to emphasize his intention to mind the store, he climbed back aboard Air Force One for the trip home without even waiting for the end of the first day's speeches here.

Facing a re-election campaign that will in a sense begin at a big Bush-Quayle fundraiser in Texas later this week, faced with the growing conviction in the electorate that he spends too much time on foreign policy already, faced with growing evidence that further economic woes may lie ahead rather than the robust recovery he had hoped for, Mr. Bush is seriously considering the curtailment of his trip to Asia next month.

From that perspective, it seems doubtful that Mr. Bush will want to put the Middle East at the top of his agenda, at least until the

election has passed, in the way that Jimmy Carter focused intently on the peace process between Israel and Egypt in 1977 and 1978. And without sustained presidential intervention, a decisive breakthrough in these talks may prove elusive.

The end of the Cold War was symbolized by the presence here of Mr. Gorbachev as a co-sponsor. The conflict between the Arabs and the Israelis, the Soviet leader acknowledged, "bears the heavy stamp of the so-called Cold War, and it was not until an end was put to that, that ending this conflict became a tangible possibility."

But the United States won the Cold War as well as the Gulf war, so it was President Bush, and not Mr. Gorbachev, who spoke first Wednesday and who set out the general terms within which the peace talks will proceed.

The Soviet Union is no longer the protector of Syria, any more than it was the protector of Iraq. The United States is the only credible outside power in the region. The Gulf war also changed the internal military balance, not only by removing Iraq from the equation, at least for the moment, but also by demonstrating that high-tech American weapons, more available to Israel than to the

Arabs, again at least for the moment, were the future of warfare.

So Syria is in Madrid, and the Palestinians and the Jordanians — and because they are here, the Israelis did not feel that they could stay away without suffering further erosion in their relations with Washington.

Mr. Bush sought to strike a balance in his address by endorsing the Arab demand for territorial concessions from Israel and at the same time defining "peace" in terms that delighted the Israelis. But the United States will have to play a less even-handed role than those comments implied if the conference is to succeed.

As Michael Mandelbaum of the Council on Foreign Relations pointed out, Israel "will be asked to give up a tangible security asset" — territory that it has occupied as a buffer against its enemies — "in exchange for something that is intangible and revocable: in effect, for a promise."

Only if the United States offers assurances of various kinds to Israel, many analysts believe, will Israeli public opinion propel the hard-line government of Prime Minister Yitzhak Shamir towards genuine bargaining. Mr. Bush pledged again Wednesday that Washington would "extend guarantees, pro-

vide technology and support, if that is what peace requires."

Mr. Baker and others are ready, once the various participants have spelled out their positions in full, and especially if they reach an early deadlock, to try to subtly inject some new ideas into the negotiations, while at the same time carefully avoiding the clash of settlement plans that would only turn into targets for one side or the other to shoot down.

"We want to make them do the bargaining," a high-ranking American official said, "and we think each of them is sufficiently worried about looking like villains to the rest of the world to take this seriously."

It is a matter of mustering the will to try, a matter of taking chances as Robert Schuman and Jean Monnet did in seeking European unity after World War II. One thing that could help to scatter the ghosts of distrust and hatred would be some sort of gesture from one side or the other, like President Anwar Sadat's trip to Israel in 1977. But there was no sign of that in Madrid on Wednesday, no indication yet that any of the delegations had fresh ideas to help "break the fetters of the past," in Mr. Gorbachev's phrase.

OBJECTIVES: From the Two Presidents, Broad Vision of Harmony but No Road Maps

(Continued from page 1)

that the talks change location, and Syria is urging that they remain in Europe.

Mr. Baker said a compromise had not yet been reached, and warned the participants against setting conditions on coming to the first session. Nevertheless, U.S. officials predicted that the disagreements would not stall the first bilateral talks.

None of the participants may be anticipating swift arrival of the kind of sweeping settlement that the two presidents suggested, but none could afford to ignore the message from the two leaders.

Mr. Bush hinted vaguely that the United States was prepared to offer all the parties "guarantees, technology and support" if re-

quired for peace, perhaps suggesting the kind of expanded U.S. aid that followed the Camp David Accords between Egypt and Israel.

In contrast to this largesse, Mr. Gorbachev dwelt on the near-collapse of his own union, underscoring what many of the Arab regimes have already learned — that the Kremlin can no longer be a patron in the region.

Mr. Bush opened his remarks with a surprising declaration that the peace talks that are to follow should lead to a "clear and straightforward" objective.

"It is not simply to end the state of war in the Middle East and replace it with a state of nonbelligerency," he said.

Mr. Bush went on to enumerate broadly the kind of peace the United States would

seek from the upcoming talks — including peace treaties, security, diplomatic relations, trade, investment, economic relations, cultural exchange and "even tourism."

Israeli officials said they viewed this comment as a victory that endorsed their view of the goal of talks with Syria. They noted that in the negotiations leading up to the conference, President Hafez Assad of Syria had balked at accepting the idea of a peace treaty with Israel as a goal.

Israeli officials said they intend to use Mr. Bush's remark to demand in the upcoming negotiations that the final objective be defined in terms of peace treaties. They said this would be their counter to the anticipated Syrian demand that the objective be defined

only in terms of implementing the United Nations resolutions calling on Israel to exchange land for peace.

Both Syrian and Palestinian representatives complained that Mr. Bush did not call on Israel to halt the expansion of settlements in the occupied territories.

But Hanan Ashrawi, a West Bank professor who is serving as adviser to the Palestinian delegation, said she took heart from Mr. Bush's comments on the future of the occupied territories, in which he urged an ultimate compromise "that gives the Palestinian people meaningful control over their own lives and fate" while providing for Israel's security.

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THE MEETING IN MADRID: What the sticking points are, what Mubarak thinks



Presidents Mikhail S. Gorbachev and George Bush, co-sponsors of the peace talks, at the Royal Palace in Madrid on Wednesday as the meeting began.

Israelis Must Yield on Jerusalem, Mubarak Says

By Chris Hedges
New York Times Service

ISMAILIA, Egypt — President Hosni Mubarak, the head of the only Arab country to have diplomatic ties with Israel, has warned that if the Israelis refuse to reverse their annexation of East Jerusalem, there can never be peace in the region.

While the Egyptian leader believes that Israel may eventually agree to concede some territory to Palestinians and its other Arab neighbors in the peace talks, he worries that the Israelis have failed to grasp the symbolic and religious significance of East Jerusalem to Arabs. It is the site of Al Aqsa Mosque, Islam's third-holiest shrine.

"Generation after generation will focus on the holy places," he said Tuesday, seated on the patio of the presidential retreat here. "The religious fundamentalists are working the issue now to accelerate this. It is going to create a hell of a lot of problems, especially with the difficult economic situation in the Muslim countries. There will be no shortage of volunteers ready to die for this cause."

Mr. Mubarak, who was President Anwar Sadat's vice president during the negotiations with the Israelis leading to the 1979 Camp David accords, which brought peace

between Egypt and Israel, said the current situation was the "last chance for peace."

He said that with new settlements springing up quickly in the Israeli-occupied territories, there might soon be little left to negotiate, a situation that he said would result in regional "anarchy."

"They think everything will calm down," Mr. Mubarak said of the Israeli leaders. "I tell them no. It will never calm down."

Mr. Mubarak said he had told the Israelis that they must freeze their settlement program in the occupied territories and trade land for peace, two options that the Israeli leadership has so far rejected, or the talks would collapse.

But the president said he felt a deal could be struck with Prime Minister Yitzhak Shamir, who heads Israel's delegation in Madrid.

"We concluded the Camp David framework with Mr. Begin," he said, referring to Menachem Begin, Israel's prime minister at the time. "He was a hard-liner and a member of Likud. Mr. Shamir is a hard-liner, and much tougher, but I tell you I am optimistic. We may conclude something with Mr. Shamir."

Mr. Mubarak refused to place all the blame for the current crisis on Israel.

He said the history of the Arab-Israeli conflict was one of "lost opportunities," and he repeatedly chastised the Palestinians and Arab countries for failing to follow the lead of Mr. Sadat, who was assassinated by Muslim extremists in 1981.

"He was a man of vision," Mr. Mubarak said, "but this was not realized at the time, not only among some factions in Egypt, but in the Arab world."

He cited many examples when Mr. Sadat struggled to set up meetings between Palestinians and the Israelis. Those attempts included the Mena House conference in 1977, when Israeli officials agreed to come to Egypt and meet Palestine Liberation Organization officials, who would be allowed to fly their flag alongside the Israeli flag.

"Their flag had been accepted; the PLO had been accepted," he said of the Palestinian leadership. "There was no problem, but they refused to come."

He also said the Camp David accords provided for parallel negotiations with the Israelis on the Palestinian issue, but again the Palestinian leadership balked.

And he said an effort by Mr. Sadat to get Israel to establish a Palestinian state in the

occupied Gaza Strip was likewise turned down by the PLO before it got off the ground.

"The Palestinians started attacking Sadat," Mr. Mubarak said of the Gaza plan. "They claimed he was trying to divide the Palestinian state, as if the entire Palestinian state would be returned in a day."

"When the PLO left Beirut in 1983, they asked me to speak with Israel about taking Gaza," he said. "I told them the Israelis would never respond now. It was available before."

"If some of these things were accepted before, we could have avoided the building of these settlements and the complications we face now," he said. "Many good opportunities were lost."

But the president said he believed that the Palestinians were chastened by the crushing Gulf war defeat of Iraq, which Yasser Arafat, the PLO chairman, and many Palestinians supported. Mr. Mubarak said he believed that the Palestinians realized that they had to take what they could from the Israelis because they may not be given another chance.

"I don't think Arafat has visited Iraq for quite a while," he said. "They realize their mistake."

In Direct Arab-Israeli Talks, The Focal Point Will Be Land

By Sabra Chartrand
New York Times Service

WASHINGTON — When direct negotiations begin between Israel and Syria, Lebanon, Jordan and the Palestinians in Madrid, here are some of the disputes they hope to resolve these issues:

Israel and Lebanon

The main issue in these talks is the future of Israel's self-declared security zone in southern Lebanon. Lebanon has frequently demanded that Israel withdraw its troops and disband the South Lebanon Army, the Lebanese militia that Israel pays to help patrol the zone.

Israel has held the zone since it invaded Lebanon in 1982, and formally designated the zone in 1985 to prevent Palestinian and Lebanese guerrillas from using Lebanon as a base for attacks on Israel's northern settlements.

Lebanon sees the occupation and Israel's frequent military raids beyond the zone as infringements on its sovereignty, and says its army will oust the guerrillas and control southern Lebanon itself.

But Israeli officials say they will not withdraw until they are persuaded that the Lebanese government can keep such promises, given its tenuous presence in areas of southern Lebanon abutting the security zone and its dependence on military support from Syria.

Also at issue are the many Lebanese and Palestinian prisoners held in prisons in Israel and in the security zone. The Lebanese government wants them released. Israel says most are guerrillas imprisoned for security offenses.

In return, Israel will continue to ask about the fate of several Israeli soldiers captured since the 1982 invasion.

Progress on this issue would likely lead to freedom for some or all of the seven Western hostages still held in Lebanon.

Israel and Syria

For Syria, the most important issue is the future of the Golan Heights, captured by Israel in the 1967 Middle East war and annexed in 1981.

Syria wants the territory back. Thousands of Syrian Druze who live there were separated from their families when Israel took control, but the principal value of the Golan Heights is tactical, since they dominate the plain of Damascus to the east and Galilee to the west.

Many Israelis believe that if President Hafez Assad of Syria recognized Israel and demonstrated a willingness for normal diplomatic relations, Israel might consider returning the Golan Heights.

But 12,500 Israelis now live in the Golan, and as long as Syria remains a steadfast enemy, Israelis are unusually united in believing that the territory should be retained.

Israel may hope to raise the issue of arms control with Syria, but the Damascus government has said it will strike no separate deals with the Israelis and will not even attend the proposed third round of the peace talks, at which arms control is supposed to be a topic, until Israel reaches a settlement with the Palestinians.

Israel and Jordan

At the forefront of these talks, in which Jordan is technically represented by a joint Jordanian-Palestinian delegation, is a solution to the 24-year Israeli occupation of the West Bank of the Jordan River, territory that Israel seized from Jordan in the 1967 war.

King Hussein of Jordan formally renounced his claim to the territory in 1988, clearing the way for the Palestine National Council's proclamation of a Palestinian state there. But he seems as interested in settling the issue as are the Palestinians who form the vast majority of the West Bank's population.

For the king, Palestinian frustration and anger are the most destabilizing influences in his country. Roughly 60 percent of Jordan's population is Palestinian.

Although he does not say so directly, the king is known not to favor an independent Palestinian state between Israel and Jordan. His aides say he believes such a state could become a threat to his government.

Jordanian officials and moderate Israelis most often say the preferred solution is a confederation of some sort between Jordan and a Palestinian state.

In the proposed third round of talks, the Jordan and Israel are supposed to work toward treaty arrangements on such things as water rights, border traffic, cross-border pollution and trade.

Israel and the Palestinians

The first major issue scheduled to be discussed in these talks is whether Israel will grant the Palestinians in the West Bank and Gaza Strip limited autonomy.

This would entail arranging for Arab elections in the occupied territories, independent Palestinian municipal governments, and Palestinian administration of police forces, schools and health care.

The Palestinians will also want to discuss the fate of East Jerusalem, captured and annexed by Israel in 1967. Palestinians say the traditionally Arab eastern half of the city should be their capital.

East Jerusalem has been ringed with new Jewish neighborhoods in the last quarter-century. Israelis say it is their capital and are adamant that they will never negotiate over Jerusalem.

If autonomy is arranged, the next task will be for the two sides to set a timetable under which autonomy will lead to some form of broader Palestinian self-government, which might give Palestinians control over military and foreign policy issues. But Palestinians and Israelis differ greatly over what such self-government will mean.

Palestinians want autonomy to lead to an independent Palestinian state, but the Israeli government says that will never happen.

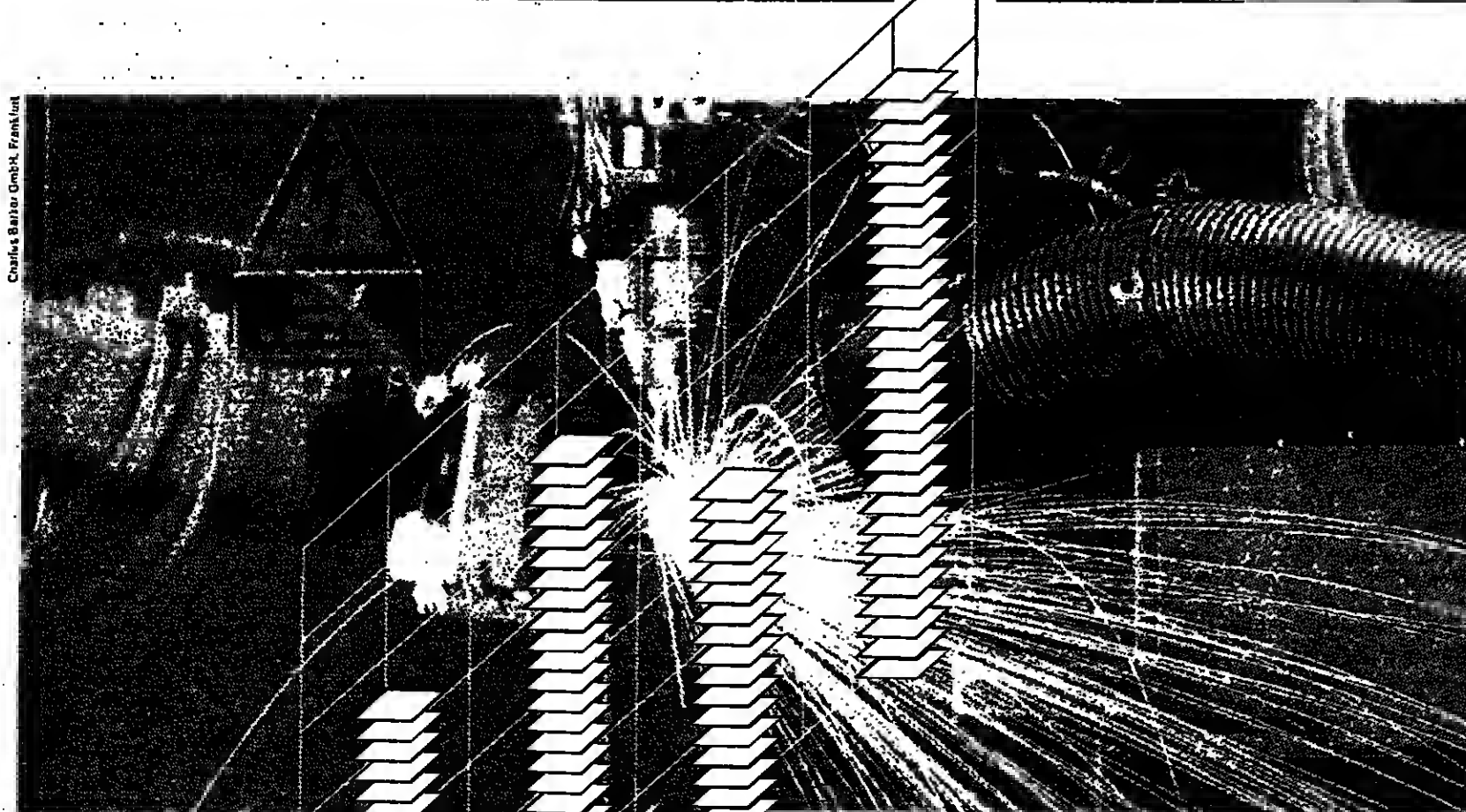
Almost none of this is likely without a negotiated resolution to the problem of Jewish settlement in the occupied areas. About 110,000 Jews live in those settlements, and in recent months Israel's rightist government has given priority to the swift building of new settlements despite vehement American and Arab opposition. Any agreement on Palestinian autonomy would also have to address the future of these settlers.

Bush Gives Sign of Success But No Word on the Talks

Agence France-Press

WASHINGTON — President George Bush flashed a thumbs-up sign Wednesday as he returned to the White House from Madrid, where he opened the Middle East peace conference with President Mikhail S. Gorbachev.

The president made no comment on his trip. He returned to Washington for just 24 hours; he leaves Thursday for Texas and then travels to California.



On the Pulse of the German Economy

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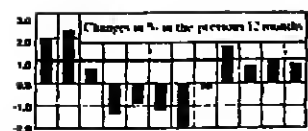
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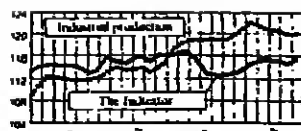
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The F.A.Z. Economic Indicator
Changes in % in the previous
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The F.A.Z. Economic Indicator
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— The Indicator
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Herald Tribune

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Opportunity in Madrid

Momentous Momentum

Israel, its Arab neighbors and Palestinians from the occupied territories have sat down with each other at a peace conference in Madrid. That is a simple statement of fact. It is also a momentous pronouncement of transforming change. With each other. Only once in four decades of war and bitterness has the Middle East even come close to such an opportunity. The opening is fragile; the parties are tensely poised; the moment could rapidly melt. But it is an opening, and there are practical reasons for hope.

Two earthquakes created this opportunity: the Soviet withdrawal from Cold War rivalry with the United States, and the revolution in the Middle East created by the coalition victory over Saddam Hussein. President George Bush and Secretary of State James Baker brilliantly seized on these changes to create, with President Mikhail Gorbachev, a dynamic in which no party dared risk blame for sabotaging diplomacy.

Now all parties have become so bound to the momentum that Israeli and Palestinian delegates refuse to be provoked by unguarded statements about the role of the Palestine Liberation Organization, or even by the new violent outrages by renegade Palestinian terrorists.

Despite disclaimers on all sides, there are at least two solid reasons for optimism. Syria has agreed to negotiate with Israel about their formal boundary, an act of implicit recognition. And Israel has agreed to negotiate with representative Palestinians about Palestinian political rights.

Only Israel can trade land for peace. Only Syria, the main military power still

confronting Israel, can offer a peace worth the trade. And that peace can be considered reliable only if it includes acceptable provisions for the Palestinians.

A durable peace for Israel will have to encompass its acceptance by all its neighbors, entitled to reasonable security and full economic participation. As Arab countries see themselves as modern individual states, not mere outposts of a single Arab people, normal state-to-state relations with Israel become a realistic possibility.

But leaders like President Hafez Assad of Syria undermine their welcome overtures when they persist in preaching Arab intransigence at home. That makes it hard for Israel to accept the sincerity of the diplomatic conversion. If Syria were now to follow the example of Egypt and the moderate Palestinians and consistently speak the language of coexistence and compromise, Israel could be pressed more effectively to abandon its sterile equation of security with real estate. The only real estate at immediate issue is the Golan Heights, to which even the Likud coalition makes no ideological claim.

Concerning the West Bank and Gaza Strip, the terms of this conference call only for negotiation of interim autonomy. That allows for years of trial coexistence.

Israel mostly secured the conference agenda and arrangements it wanted. Arab participants, encouraged by the United States, have compromised or withdrawn long-held objections.

"Momentous" is not the only word for these ceremonies; "momentum" is another. For all the fragility of the beginning, the world awaits Chapter Two.

—THE NEW YORK TIMES

A Specter of Failure

The Middle East peace conference brings together for the first time Israel and all its Arab neighbors and other Arab states. The conference opens in the uniquely propitious circumstances of the end of the Cold War and the allied victory in the Gulf war. Presidents George Bush and Mikhail Gorbachev have helped launch the proceedings. A spirit of celebration has been in the air. Certainly the history-making quality of it all is formidable. Yet a scarcely concealed expectation of grim futility floats over Madrid.

The obvious explanation is the gap between positions of the parties. To recall how Egypt and Israel made peace in 1979, however, it is to be reminded that the real gap is in attitudes. By journeying to Jerusalem, Anwar Sadat won from Israelis if not trust then readiness to take risks for peace. He broke through Israeli distrust and then — except for the agony of negotiation — it was easy. But now Syria's Hafez Assad makes it equally clear that he is not faintly ready for any like tokens of reconciliation. He wants to redeem his territory, for which he will willingly "accept" Israel and, unconsciously, demands to be paid just for shaking hands.

Syria's strategy is to keep other Arabs at its side. Israel's strategy will be to pick them off: (1) to draw desperate moderate Palesti-

ans into a stingy autonomy, and (2) to draw Arab states other than Syria into regional talks. This Israel effort to avoid territorial compromise, however, hinges not just on Arab policy but on American. Israel's fear is that the United States is going to shift from patronage and advocacy to land-for-peace evenhandedness — a shift already visible in some of the tactics that Washington used to organize Madrid, and in the weekend statements of Secretary of State James Baker.

For Washington the trouble is that the gestures of fidelity that Israel seeks so as to firm up its negotiating hand can be turned to justify a nonnegotiable hard line. Yet to be too cool to Jerusalem is to invite Arabs to stonewall in the hope that Washington will squeeze uncompensated concessions from its ally. The American government evidently hopes to finesse this central dilemma of its diplomacy by avoiding unduly dramatic showdowns and continually nudging the parties toward compromise.

To Palestinians Washington offers a meager option but the single alternative to total humiliation: to Syria the single channel to return of the Golan Heights; to Israel the single escape from what is, Egypt apart, its terrible loneliness and abiding peril. This is the Bush policy, and it could — not will, but at least could — accomplish great good.

—THE WASHINGTON POST

Who Says Beauty's Big?

Every year about 150,000 American women undergo breast implant surgery. Some want to correct a deformity; others, to replace breasts lost to cancer. Most simply want a bigger, firmer bosom. And why not? America is, after all, a country in which the word "cleavage" evokes only one image — and where there are 101 presumably affectionate nicknames for big breasts. To hear some of them, "knockers," for instance, is to doubt that they were coined by women.

A small proportion of breast implants are filled with saline, which means that if they burst accidentally, the fluid is absorbed without adverse effects. But saline implants can deflate spontaneously, and about 40 percent need to be replaced. That is why silicone implants are more common, although the scar tissue that often forms around them can make the breasts feel rock-hard. Either kind of implant can make mammography more difficult. Given such drawbacks, purely cosmetic implant surgery may seem a long way to go for a size 38C bra.

Even so, 400 women who had undergone the procedure and been recruited by plastic surgeons went to Washington recently to protest the possibility that silicone implants may be taken off the market.

In 1982, the Food and Drug Administration warned manufacturers that implants

would be among the medical devices for which safety data could be required. In 1987, the agency gave specific details about what information would be asked for. In July, the data were called in and found wanting. Although the documents were many, the studies involved too few women, too little investigation of side effects and too little time to the FDA advisory committee: that meets next month could accept the data and leave the implants on the market. It could reject the data and ban the implants. Or it could ask for further information, meanwhile leaving the implants available.

Lacking evidence that silicone implants are truly dangerous or truly harmless, most women contemplating surgery would probably argue for their right to make an informed choice. But while everyone can understand a cancer patient's enthusiasm for reconstruction, a woman's wish for a "better" bosom can be puzzling. One of the women who went to Washington said of her own cosmetic surgery, "You know, it means so much for a woman not to be small, not to feel disgraced because God didn't make her enormous." To which some people, and other women in particular, might reply: "Who made you think you were disgraced?" And why did you believe that?

—THE NEW YORK TIMES

Other Comment

Palestinians Sit as Equals

The fact that the world will see Palestinians sit opposite Israelis at an international peace conference symbolizes the beginning of a new relationship. Until now the life of residents of the occupied areas was dominated by military orders and humiliations. But in Madrid the Palestinians meet their occupational landlords as equal partners, and that is exactly what President Bush and Secretary Baker had in mind when they were particularly forthcoming toward the Palestinians at the last minute. The agreement that the Jordanian-Palestinian delegation should have double speaking time in the opening session was an unexpected chess move by the Americans.

—Städtische Zeitung (Munich).

Forced Back to What Fate?

The last time the authorities in Hong Kong attempted to repatriate unwilling Vietnamese, the initiative had to be abandoned after shameful pictures were flashed round the world. Within the next six weeks forcible repatriation will be resumed, initially on a limited scale. The ultimate aim is to empty the camps of the great majority of the 64,000 Vietnamese now occupying them. It will be necessary to monitor the fate of those [that Britain] is determined to force back. The UNHCR has only a handful of monitors in Vietnam. Britain should insist on a far more formidable international presence before embarking on another round of enforced repatriation.

—The Independent (London).

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OPINION

Next Idea: U.S. Troops Feed Soviet Citizens

By Jim Hoagland

MADRID — George Bush flew home on Wednesday unaware that while he zigged in Madrid on aid to the Soviet Union, the two leading defense Democrats in Congress zagged on that same issue in Washington.

While President Bush was declining urgent pleas from Mikhail Gorbachev for an immediate and clear American commitment to rescue the Soviet Union from impending disaster, Representative Les Aspin and Senator Sam Nunn were putting the finishing touches on legislation that could force Mr. Bush's hand on aid to the Soviets and give the Democrats a new profile on this issue.

The Aspin-Nunn plan would earmark up to \$1 billion in the pending Defense Department budget for an emergency aid program to be administered and delivered to Soviet citizens by the U.S. military.

If approved in a final vote in the Senate and House next week, the defense spending bill would specify from which Pentagon accounts money should be used to help the Soviets.

This audacious idea, resisted by the administration when Mr. Aspin proposed a variation of it last August, would be modeled on the impressive performance of the Pentagon in helping disaster victims in northern Iraq and Bangladesh earlier this year.

It could turn out to be the opening shot in an effort by the Democrats to contest Mr. Bush's mastery of the politics of foreign policy. Instead of merely calling for cuts in defense spending and criticizing Mr. Bush for devoting too much time and money to foreign problems, Mr. Aspin wants the Democrats to develop comprehensive, coherent foreign policy alternatives for the post-Cold War era. He is at work on such a blueprint.

Mr. Aspin and Mr. Nunn, chairmen of the House and Senate armed forces committees, are key figures in the centrist group known as defense Democrats who want to alter the dovish image the party has gained from its platform commitments to cut U.S. defense spending and intervention abroad.

Several months in preparation, an Aspin-Nunn agreement on Soviet aid, the B-2 bomber and other controversial items in the defense spending bill seemed about to come together by coincidence about the time Mr. Bush was meeting Mr. Gorbachev in Madrid. Mr. Bush pleaded here that Democratic complaints that he is spending too much time and money on foreign policies formed a major obstacle to new aid to Moscow.

The Bush comment was reported by a White House official and quoted in The Washington Post on Wednesday. The comment should strengthen the hand of the Wisconsin House member and the Georgia senator in getting the aid proposal written into the conference bill now being drawn up to resolve differences between defense budgets voted separately by the House and the Senate.

Mr. Bush's refusal in Madrid to provide Mr. Gorbachev with any clear indication of new economic support stems more from the continuing disarray within the administration, over how and whether to aid the central government or to work with breakaway republics, than from the Democrats' sniping at Mr. Bush.

Mr. Aspin's original proposal to shift \$1 billion out of the Defense Department's budget into humanitarian relief for the Soviets met with stiff resistance from Defense Secretary Dick Cheney and other key figures in the administration. But privately a few senior administration officials encouraged the Wisconsin Democrat to push his idea of getting the Pentagon to help pay for and carry out a Soviet aid program.

Even Mr. Cheney seems to be reconciling himself to transforming Operation Provide Comfort, the U.S. military's heroic rescue operation of Iraq's Kurds last spring, into a similar effort to help Soviet citizens by airlifting food, medicine and other supplies this winter.

Such caution could make the airlift as much a symbolic as a humanitarian undertaking. Even so, using troops that were trained to fight Soviet citizens to feed them instead would underline the changed nature of Soviet-American relations in the post-Cold War era in the most dramatic way.

It is a creative idea, and one that may have the extra effect of getting the Democrats to move off the stalemate and defeatist Come Home America position that most of their presidential hopefuls are enunciating.

"If we were asked to help and if the president thought it was a good idea, we are perfectly capable of doing it," Mr. Cheney said when I asked him about that possibility last week. "We don't have any special hang-up in that regard. But we have not been asked."

In a telephone conversation on Wednesday, Mr. Aspin told me he is sensitive to the problems that the deep rifts between Mr. Gorbachev's central government and the 12 republics could create for aid distribution. He wants to guard against the U.S. military getting caught up in those conflicts. He will probably urge the Pentagon to stage half a dozen or so highly visible airlifts to carefully chosen and prepared sites acceptable both to republics and to the central government.

Such caution could make the airlift as much a symbolic as a humanitarian undertaking. Even so, using troops that were trained to fight Soviet citizens to feed them instead would underline the changed nature of Soviet-American relations in the post-Cold War era in the most dramatic way.

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The Washington Post.

The Arab Man in the Street Needs New Thinking

By Raghdia Dergham

MADRID — By joining the U.S.-led coalition that dealt Iraq out of the Arab-Israeli military equation, Arab leaders in effect agreed to Madrid talks was a second dramatic step.

But Midwest public opinion has not been prepared for such reversals of old attitudes. Thus, engaging the region's peoples in the new thinking is so essential to the success of the peace process.

President George Bush and Secretary of State James Baker, having gained the leaders' consent to attend the conference, must help generate trust and confidence among these peoples. This nurturing requires that Prime Minister Yitzhak Shamir understand that normalizing Arab-Israeli relations hinges on ending the occupation that began in 1967. Regional cooperation and economic relations will not work without withdrawal from the territories.

Egypt's suggested moratorium on settlements in exchange for an end to the Arab boycott is a good deal for Israel and Arab alike: a quest for normalizing relations with its neighbors.

Arab leaders should level with Arab public opinion by explaining the concessions that they have made to Israel, instead of continuing to lean on misleading, manipulative slogans about liberating Palestine. Further, Arab politicians must lift their countries' bans on media contacts with Israeli officials. Similarly, the Israelis should allow

open, unrestricted contact with PLO officials. Intellectuals and experts in all fields in both societies face the challenge of participating in the evolving negotiations. This is particularly true in the Arab world, where a monolithic approach to decision-making has long prevailed.

The Bush administration should encourage reconciliation between the Gulf states and Arab countries such as Jordan and Yemen that were outside the U.S.-led coalition. Those bent on revenge and humiliating others not squarely in their camp in the war must be told that the United States will not adopt tribal or royal agendas.

American interest lies in broadening the base of support for its policies, not in isolationist politics. Thus, Mr. Baker's idea of establishing a development bank to help the poorer Arab countries deserves revival.

The administration should emphasize to Arab leaders that, contrary to their claims, control of public opinion is not a sign of stability. Until Arab opinion is enlightened and respected by Arab leaders, it could become an insurmountable obstacle to normalizing Arab-Israeli relations.

The White House ought to press upon Arab leaders the necessity of respecting human rights

and allowing political parties, so that the opposition in some countries will remain the exclusive domain of fundamentalists and militants. Calling for elections might not be timely during the peace process, but democracy should not be treated as incompatible with the Arab character.

Mr. Bush should make clear to Israel that it must stop violating the human rights of the Palestinians in the occupied territories. The United States should end its silent protection of Israel's nuclear capabilities so that America is no longer perceived as an accomplice of Israel's nuclear superiority. The issue should become prominent in the regional negotiations, and Washington must bring the International Atomic Energy Agency into this matter.

For generations, Arabs and Israelis have treated each other as scapegoats and scapegoats. That era is over. Israeli claims that Arabs want to "throw the Jews into the sea" no longer have any substance. Arabs have in effect ruled out the military option, and the illusion of joint Arab action against Israel has been put to rest. Arab states now recognize Israel as a nation. Both sides must further cultivate these breakthroughs, beginning today.

The writer, New York-based senior diplomatic correspondent for Al-Hayat, an Arabic daily published in London, contributed this comment to The New York Times.

The People on Rogosin Street Seem Conciliatory

By Abraham Rabinovich

ASHDOD, Israel — Albert the barber, musing about the opening of the peace conference in Madrid, permitted himself to fantasize about weekends in Beirut. "People in France go to Switzerland for the weekend," said Albert Malka in his shop near the sea. "If there's peace, I'd like to go to Beirut. Why not? Maybe even Damascus."

The pace of this leisurely Mediterranean town has not been noticeably quickened by the conference, but a good many residents appear willing to suspend healthy skepticism for a week or two and relate to the term "peace conference" seriously.

No one is better positioned than a barber to monitor the mood, and Albert reported it to be bullish. "My clients say it would be criminal to miss this historic opportunity. Of course, there are some extremists who say we can't give up anything. I believe we can compromise on everything for real peace except Jerusalem. We should do it in stages — give up a bit and if we see that we can trust them, give up some more. But not back to the 1967 borders. We've got to leave ourselves room for maneuver in case the Arabs turn hostile again."

This notion of territories-for-peace is forcefully rejected by the Likud prime minister, Yitzhak Shamir, but was accepted by every Likud voter encountered in a small survey in Ashdod. Often, as with

boutique operator Eilat Sasportas, they began by saying "I don't want to give up any territory" but, after exploring the options, ended up expressing a willingness to give up much or most of the territories captured in 1967 if the return were true peace.

"Golan and Jerusalem are not negotiable, but we can give up the Gaza Strip," Mrs. Sasportas said. "The West Bank? Possibly. Not all of it."

At the Café Tsameret on Rogosin Street, the city's main shopping street, the regulars had gathered at their sidewalk tables in the late afternoon. Among the pensioners and businessmen surveying the world over coffee was Robert Hayim, who was mayor of Ashdod in the early 1960s. "This is the first opportunity since the founding of the state to negotiate peace with all our neighbors," he said. "Shamir has no choice but to take it."

What about Mr. Shamir's rejection of territories-for-peace? "It's just an opening position," said Mr. Hayim. "There's no such thing as going to negotiations and not compromising. Ninety percent of the population is for peace and concessions. There's no difference on this between Likud voters and Labor voters."

Another café regular, Avraham Tahan, was a lieutenant colonel in the army until a few years ago. "I believe we can give up everything except Jerusalem," he said. "But I can't see Shamir making concessions. He doesn't want to enter history as the man who gave up territory."

It is Mr. Shamir's toughness that makes the prospect of peace talks less threatening for some. "I don't know if it's a good thing to be going to Madrid or not, but if we have to go I'm glad it's with Shamir," said jeweler Roger Benita. He thinks that although most of the town voted for Likud, most support Labor's policy of territories-for-peace.

The café sitters confront a puzzle. On the one hand Mr. Shamir, for deep reasons of ideology and temperament, seems unable to relinquish territory. On the other he cannot, for high reasons of state, afford to defy the United States and the rest of the world by refusing to give up territory. The sense of things on Rogosin Street appears to be that in the end, reasons of state will prevail and Mr. Shamir, or someone else, will make the concessions necessary to win a peace treaty.

Mr. Rabinovich is a feature writer for the Jerusalem Post. He contributed this comment to the International Herald Tribune.

Poland: Foundering in the Politics of Anathema

By William Pfaff

PARIS — Poland now has a parliament that reflects the crisis of the society. It is the crisis of all the ex-Communist countries, and is responsible for the confused struggle under way to discover terms upon which people not only can solve their practical problems but can go on living with one another after what they have done to one another in the past.

In the parliamentary elections held on Sunday, the major parties representing both of Poland's post-Communist reform prime ministers were rejected. Unheard-of parties prospered, including the Party of Polish

This kind of thing has lethal effect even in mature democracies.

Beer Lovers. The party close to President Lech Walesa got well under 10 percent of the vote.

The Democratic Union of former Prime Minister Tadeusz Mazowiecki got 12 percent, the best result of any party, although 20 percent had been foreseen. The whole bloc of parties which emerged from the Solidarity movement got less than a third of the overall vote. The renamed Communist parties got more than a fifth — a great surprise. The real winners were indifference, alienation and anger, more than half the electorate refused to vote at all.

Alienation is a product of the government's inability to work miracles, as against some of the public's willingness to believe in miracles. The party which promised miracles in last year's presidential campaign, "Party X," created by the Polish-Pennsylvanian Canadian businessman and demagogue, Stanislaw Tyminski, pushed Lech Walesa into a second-round runoff in that election, having easily defeated Mr. Mazowiecki.

Party X was disqualified from Sunday's election in part because of the election

day's election in most districts (for falsifying qualification petitions). Had it not been put off the ballot, it quite possibly would have emerged with the largest individual vote total. Its supporters are thought either to have abstained or to have voted for the renamed Communist parties.

The outgoing government has drained the economy of hyperinflation (down from 2,000 percent last January to 40 percent today) and given it a solid currency. A year or so ago, dollars were all that anyone wanted in Poland (as is the case in the ex-Soviet Union today). The story now exchanges freely with the dollar. This has been accomplished, however, at the cost of unemployment and a grave slump, and the savings and other investment resources that might turn the purged economy around are not there.

Deindustrialization has been taking place, closing down obsolete and polluting state enterprises, manufacturing nothing anyone wanted. GNP is thought to have fallen by 10 percent this year. Reindustrialization is far from taking off. There is money about, but much of it comes from unproductive forms of commerce, including obvious profiteering, and it is not being invested in industry. There still is little foreign investment.

As in Russia, capitalism risks becoming identified in popular opinion with racketeering, swindle and hard times for the common man — validating what the Communists had always said. The two former reform prime ministers, Mr. Mazowiecki and Jan Krzysztof Bielecki, both high-minded intellectuals, have followed economic paths of extreme market orthodoxy, where the light shines dimly at the end of a very long tunnel.

But anger is the worst enemy of Polish democracy. A sociologist who was also a parliamentary candidate for Mr. Bielecki's party, Jacek Kurczewski, observed before the election

that "this electorate is filled with perverseness, aggression and nationalism." People want to pay others off for what happened to them in the past. They want to get what they can now to make up for what was taken from them in the past.

People have lost, or never learned, a sense of the permissible limits of political controversy in a democracy. The Catholic Church has been a bad example in this respect. The episcopate has behaved correctly, but there were all too many who thought themselves acting on its behalf in calumniating the moderate parties and figures that came out of Solidarity, notably the Democratic Union of Mr. Mazowiecki.

Even though most of the Democratic Union leaders are themselves professing Catholics, they defend the separation of church and state and resist the installation of Catholic moral teachings — notably on abortion, birth control and divorce — as law of the land, against the will of minorities or even of a Catholic majority which, as elsewhere in the world, takes a less rigorous view of some of these matters than the episcopate would like.

To the more aggressive Catholics this is betrayal. There also are Jewish intellectuals prominent in the Democratic Union, and this has invited the hostility of those Catholics who combine a traditional anti-Semitism with the specifically Polish political anti-Semitism inspired by the fact that Jews were prominent among those who imposed communism on the country just after the war. (The fact that the Polish Communist Party subsequently purged its Jewish members, and in the 1960s conducted its own anti-Semitic propaganda campaigns, does not count for these people.)

These Catholics were certainly not the only ones guilty, but they were perhaps the most influential among those who attacked opponents as morally disqualified from the national debate, rather than merely wrong, holding that their opponents were unpious or immoral or representatives of international conspiracies.

This kind of thing has lethal effect even in mature democracies, as Americans have reason to know, and it is in the ex-Communist societies — which, of course, have been the victims of one international conspiracy or another, fascist or Communist, for as long as any adult can remember. Repairing this state of mind is harder than repairing the economies of countries like Poland, but is more important. The question is whether it can be done in time. Yugoslavia shows what otherwise can happen.

International Herald Tribune.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1891: Murders in Rome

ROME — Although Italy's Ministry of Justice is Ministry of Mercy as well, every day newspapers have a long list of cuttings and stabbings. In yesterday's [Oct. 30] bloody battle, a dozen dead mutes came out of a wine-shop in the Piazza Rosso, arguing. Fingers and thumbs were flying about to convey uncomplimentary remarks to each other. Suddenly a mute named Scania, an engraver, pulled out a knife and stabbed another mute, a carpenter named Casaracci. The Roman of the lower classes has his hand too near his knife.

1916: Wilson Assailed

LONDON — Polling in the Presidential election today [Oct. 30] will mark the climax of the most exciting electoral contest since the days of the Revolution and the Civil War. While Mr. Wilson denounces Republicans, Colonel Roosevelt advocates the candidacy of Judge Hughes and the ap-

Bush Must Have a Plan For Peace

By Leslie H. Gelb

NEW YORK — It just does not seem possible that George Bush and James Baker have wandered into the historic Middle East peace conference without a supersecret game plan. Too much can go wrong too quickly with them left holding the bag of blame. The whole initiative could capsize in six months if Washington simply sat back and waited for the right conditions to ripen.

President Bush and Secretary of State Baker, whatever they are telling the world to lower expectations, must have a plan. Given their preoccupation with growing Syrian military power, it is likely to be aimed principally at cooling the one conflict that could spark a new Middle East war — the hatred between Israel and Syria. The plan that fits the pattern of Bush-Baker thinking would call for three small steps to show quick results well short of peace:

• A freeze on new Israeli settlements in the West Bank and Gaza Strip, brought about by an ending of the flow of cars and trucks. The goal here is to prove to all early on that the process can work.

• A deal for limited Palestinian autonomy in the occupied territories, with the amount of self-rule to be set by how much Israelis will swallow in one gulp. The more autonomy the better to help local Palestinian leaders build a power base independent of the Palestine Liberation Organization.

• An Israeli-Syrian agreement on the Golan Heights and/or in Lebanon. This makes it easier for the Palestinians to make compromises on autonomy, and clears the way for Damascus to join regional talks on arms and economic development.

Mr. Bush and Mr. Baker would not want to show their hand before January or February. Acting too soon would relieve all the parties from coming forward with credible proposals of their own and put the full burden of success or failure on the United States. But waiting too long has problems, too.

The window of opportunity cannot stay open beyond the summer, when election campaigns begin in Israel and the United States. Mr. Bush has special worries here. If he ends up in a tight presidential race, the Jewish

MARKET DIARY

Blue Chips Gain
On Rate-Cut Hint

Compiled by Our Staff From Dispatches
NEW YORK — Blue chips eked out a modest gain on the New York Stock Exchange Wednesday as a late rally in bond prices, triggered by speculation that the Federal Reserve was easing credit, spurred a flurry of stock buying.

The Dow Jones industrial average, which jumped 16.32 points Tuesday, added 9.84 to 3,071.78.

Among the broad-based gauges, the New York Stock Exchange composite index edged up 0.90 to 316.48 and Standard & Poor's 500-stock index rose 1.45 to 392.96.

Advances topped declines by a nearly 3-to-2 margin. Volume rose to 195.34 million shares from 192.70 million Tuesday.

Stocks ended higher on the American Stock Exchange and sharply higher over the counter trading, where the Nasdaq index struck a new closing high.

U.S. Treasuries closed mixed.

with the bellwether 30-year bond down 2/32 to 102 17/32 to yield 7.90 percent, despite a late rally after the Fed said it would add cash to the banking system on Thursday. Many economists saw it as a technical move, but some speculated that it might confirm an easing.

"There's rampant speculation the Fed will cut the discount rate on Friday," said Alfred Goldman, director of market analysis at A.G. Edwards. "A lot of people are assuming that the figures are going to show continued sluggishness and that will prompt the Fed to get to work," he said, referring to October employment figures due for release Friday.

RJR Nabisco Holdings paced the Big Board averages, easing 1/4 to 104. Citicorp followed, rising 1/4 to 114.

Chrysler was third, rising 1 1/2 to 124 after reporting a third-quarter loss of \$82 million — considerably less than some analysts predicted.

(Reuters, UPI)

Reports of Rate Easing
Send the Dollar Down

NEW YORK — Signs that the Federal Reserve has eased credit again by lowering the key federal funds rate sent the dollar sharply lower Wednesday against European currencies.

The dollar closed here at 1.6710

Deutsche marks, down from 1.6865 DM on Tuesday.

The dollar dropped about 1 pfennig against the mark after the Fed failed to intervene in the money market at the usual time, despite a Fed funds rate that was trading around 5 percent, below the recent target of 5.25 percent. Later, the Fed said it was buying all bills, then said it would do overnight system repurchases Thursday.

Several players found the Fed's actions confusing but many were convinced an easing was under way.

"Did the Fed ease? Absolutely,

but we don't think they eased enough," said Sheldon Melrow of Standard Chartered Bank. He said it appeared the Fed funds target was now 5 percent but "we may see lower."

Lenny Deedunnen of Union Bank of Switzerland said it was "de facto easing."

The dollar also fell to 1.4645 Swiss francs from 1.4760 on Tuesday, and to 5.7070 French francs from 5.7580. The pound jumped to \$1.7435 from \$1.7290.

In contrast to its weakness against European currencies, the dollar rose to 131.00 yen from 130.65 on Tuesday.

Dealers said the yen was weak because of speculation the Japanese discount rate would be cut soon from its current level of 5.5 percent. Volume in the yen was light, dealers said, as dollar/mark trading dominated activity.

COMPUTE: EC Said to Reject Funding for Team

(Continued from first finance page) virtual companies rather than as a group.

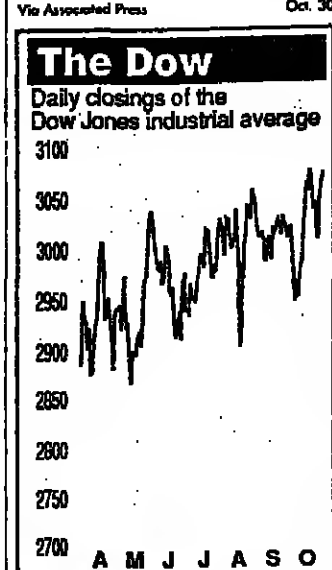
A spokeswoman for the EC research commissioner said Wednesday that she did not know if such a decision had been made. In Italy, a spokesman for Olivetti said he also knew of no such decision.

The three companies had submitted a common proposal for the EC program, dubbed the European Nervous System, which would have combined their efforts for the first

time. But the proposal did not pass the EC Commission's technical evaluation, the sources said.

The European Nervous System is intended to create pan-European data systems for public administration. The first phase targets customs, environmental monitoring, teaching, health and social-security systems as pilot projects.

Bull, Olivetti and Siemens-Nixdorf have collaborated for a year on their own project to create a common hardware and software



AM J J A S O 1991

Source: Dow Jones & Co.

NYSE Most Active

Vol.	High	Low	Last	Chg.
IBM	200	114 1/2	114 1/2	+1/4
Microsoft	100	114 1/2	114 1/2	+1/4
Apple	100	114 1/2	114 1/2	+1/4
Oracle	100	114 1/2	114 1/2	+1/4
Novell	100	114 1/2	114 1/2	+1/4
Lotus	100	114 1/2	114 1/2	+1/4
Intuit	100	114 1/2	114 1/2	+1/4
Parsons	100	114 1/2	114 1/2	+1/4
Unisys	100	114 1/2	114 1/2	+1/4
Spacenet	100	114 1/2	114 1/2	+1/4

NYSE Diary

Adv.	Decl.	Unch.	Net
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423
1,011	689	101	+423

Amex Diary

Adv.	Decl.	Unch.	Net
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250
297	288	241	+250

NASDAQ Diary

Adv.	Decl.	Unch.	Net
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495
1,138	784	141	+1,495

Dow Jones Averages

Open	High	Low	Last	Chg.
Indus	2945.38	2991.12	3071.78	+9.84
Comp	2776.50	2812.78	2820.54	+7.76
Unif	1064.48	1114.70	1101.11	+1.63

Standard & Poor's Indexes

Indus	High	Low	Last	Chg.
Indus	441.14	441.14	441.00	+0.00
Comp	325.77	325.77	325.77	+0.00
Unif	106.24	106.24	106.24	+0.00
SP 500	392.96	392.96	392.96	+0.00
SP 400	381.14	381.14	381.14	+0.00
SP 600	381.14	381.14	381.14	+0.00

NYSE Indexes

Indus	High	Low	Last	Chg.
Indus	214.48	214.48	214.48	+0.00
Comp	171.47	171.47	171.47	+0.00
Unif	42.26	42.26	42.26	+0.00
Finance	162.47	162.47	162.47	+0.00

NASDAQ Indexes

Indus	High	Low	Last	Chg.
Indus	541.29	541.29	541.29	+0.00
Comp	425.00	425.00	425.00	+0.00
Unif	106.24	106.24	106.24	+0.00
Finance	162.47	162.47	162.47	+0.00

AMEX Stock Index

Indus	High	Low	Last	Chg.
Indus	384.24	384.24	384.24	+0.00
Comp	301.51	301.51	301.51	+0.00
Unif	384.24	384.24	384.24	+0.00

Dow Jones Bond Averages

Bonds	High	Low	Last	Chg.
Bonds	97.50	97.50	97.50	+0.00
Utilities	97.50	97.50	97.50	+0.00
Indus	97.50	97.50	97.50	+0.00

Market Sales

Vol.	High	Low	Last	Chg.
Vol.	115,449,490	115,449,490	115,449,490	+0.00
NYSE adv. vol.	22,021,140	22,021,140	22,021,140	+0.00
NYSE adv. vol.	22,021,140	22,021,140	22,021,140	+0.00
NYSE adv. vol.	22,021,140	22,021,140	22,021,140	+0.00

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NYSE Volume

Vol.	High	Low	Last	Chg.
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[illegible]

Published in the New York Times and The Washington Post

Soviet Grain Harvest Fell by Nearly a Third

MOSCOW — The Soviet grain harvest plunged by nearly one-third this year to 165 million metric tons, a spokesman for the Soviet State Statistics Office said Wednesday.

The figure, which includes production from the newly independent Baltic states, compares with last year's gross harvest of 237 million tons, of which a sizable portion was lost in storage and distribution.

"Excluding the Baltic states, the total would be 160 million tons," the spokesman said.

The low figure is expected to aggravate food shortages this winter, but its impact should be partly offset by foreign food aid.

President Mikhail S. Gorbachev has asked for \$10.2 billion-worth of humanitarian aid this winter, much of which has already been pledged by the European Community, the United States and Japan.

The statistics official could give no final estimate of state procurements of grain, which are vital for maintaining food supplies. "Procurements are still taking place," he said.

The Soviet news agency Tass said last week that state grain purchases through Oct. 21 totaled 38.5 million tons, half of what the government needs and 26.3 million tons lower than last year.

A Soviet parliamentary deputy, Alexei Emelyanov, wrote in the daily Komsomolskaya Pravda on Wednesday that the harvest was lower but did not necessarily mean hunger this winter.

Mr. Emelyanov lamented the fact that the Soviet storage and distribution system was incapable of processing the entire harvest. "Losses are great even in normal years, and in productive years they are even greater," he said.

Last year's bumper harvest was reduced to 218 million tons after processing.

Frankfurt Sets Bourse Data Service

FRANKFURT — The Frankfurt stock exchange is launching an information service to integrate price data from all eight German exchanges, news from a national agency and a trading facility by the start of 1992.

"The idea is to unify data streams and offer them to users as a single package," said Werner Waldeck, management board member. As well as the information, the exchange will supply computer equipment needed to receive the service.

"Ticker Plant Frankfurt is a first step in the direction of a technical unification of Germany's bourses," Mr. Waldeck said.

Currently only the Hamburg exchange has agreed to offer operators its price data via Frankfurt's system. Talks with Germany's six other exchanges are continuing.

Buyers Seen for Hugo Boss

STUTTGART, Germany — The brothers Jochen and Uwe Holy are trying to buy back their grandfather's clothing company, Hugo Boss AG, from the Japanese entrepreneur Akira Akagi, a German newspaper reported on Wednesday.

The Stuttgarter Zeitung said in an unsourced article that the ownership of the men's clothing maker would be reshuffled by year-end.

Mr. Akagi, who owns 63 percent of Hugo Boss, was arrested by Japanese police in September on suspicion of forging bank documents used as collateral for huge loans.

A spokesman for Hugo Boss declined to comment; he said the brothers were on holiday.

Although the brothers sold a majority stake in Hugo Boss to Mr. Akagi in December 1989, they still run the firm. Uwe Holy is management board chairman while Jochen is deputy chairman.

The Holy brothers, who retain 14.7 percent of the concern, say they are confident that business this year will improve from 1990, when the company had to write off 30 million Deutsche marks (\$17.5 million) from its troubled subsidiaries in the United States.

Dior to Offer Stock to Public

Fashion House Following Saint Laurent's Steps to Bourse

PARIS — Christian Dior will in December become the second French fashion house to be quoted on the Paris Bourse, following rival Yves Saint Laurent, company officials said Wednesday.

A spokesman for Dior's parent company, Société Financière Agache, said Wednesday that the shares would probably be introduced onto the market through a public sale in early December.

Yves Saint Laurent's share flotation in July 1989 met such an enthusiastic response that many Paris fashion houses dreamed of cashing in on their world-famous labels.

But the Gulf crisis depressed share prices and created a climate of financial uncertainty, prompting Dior executives to delay their flotation plans until now.

Christian Dior SA will be floated on the Paris cash market, where shares in smaller companies are traded.

The Agache spokesman said Dior would increase its capital by 1.06 billion francs (\$185 million) ahead of the flotation by selling 2.86 million new shares at 370 francs each to companies already holding stakes in Christian Dior.

Dior, known for its ready-to-wear and couture fashion lines, perfumes and accessories, last year made a consolidated net attributable profit of 803 million francs on revenue of 6.4 billion francs.

Au Bon Marché, a 62 percent subsidiary of Agache, holds 23.1 percent of Dior and Boussac Saint Frères, another subsidiary of Agache, 26.9 percent.

Dior's other shareholders are Financière Truffaut, Crédit Lyonnais, Guinness PLC, Total SA and Nippon Life.

Dior itself holds a 46.07 percent indirect stake in the luxury-goods group LVMH Moët Hennessy Louis Vuitton SA.

Christian Dior set up his fashion house on Paris's elegant Avenue Montaigne in 1946. He invented the "new look" of the postwar years there and taught the young Yves Saint Laurent the tricks of the trade.

Continental and Pirelli Near Pact

BONN — Continental AG and the Italian tire group that wants to take it over, Pirelli SpA, look set to agree on cooperation pacts before the end of the year, industry and company sources said Wednesday.

The two companies, which are ranked No. 4 and 5 in the world tire market, have been locked in a struggle for control of Continental since Pirelli first launched a takeover bid in the summer of 1990.

"In recent weeks, there has been a dramatic change in the attitude of both companies," said the Continental spokesman Dieter von Herz, describing talks between the two as much more cooperative, friendly and fruitful.

Mr. von Herz said they aimed for an accord by the end of the year, probably by mid-December. He declined to give details.

One financial adviser close to the talks said he expected the two companies to sign letters of intent for project-based cooperation agreements on purchasing, warehousing and basic research by mid-December. These would also cover the North American divisions of both companies.

Both sides agree such accords would generate considerable savings, spelling welcome relief from worsening market conditions and losses everywhere in the industry, the adviser said.

Talks on a merger of the tire activities of the two groups, or closer shareholding ties between them, are still hampered by legal questions and would continue next year, the sources said.

Worsening results, especially in the United States, have put increasing pressure on both companies to reach a speedy solution.

General Tire, the North American division of Continental, expects to make a loss of just over \$100 million this year, the president of General, Alan Ockene, said Wednesday.

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
1700 1625 1550 1475	2700 2650 2600 2550 2500 2450 2400	1900 1825 1750 1675		
1991	1991	1991		
Exchange	Index	Wednesday Close	Prev. Close	% Change
Amsterdam	CBS Trend	89.90	90.00	-0.11
Brussels	Stock Index	5,515.40	5,515.73	-0.01
Frankfurt	DAX	1,582.83	1,590.75	-0.50
Frankfurt	FAZ	656.83	655.13	+0.26
Helsinki	HEX	834.50	837.00	-0.30
London	Financial Times 30	1,978.70	1,952.60	+1.34
London	FTSE 100	2,577.10	2,553.80	+0.93
Madrid	General Index	264.64	264.77	-0.05
Milan	MIB	988.00	990.00	-0.20
Paris	CAC 40	1,861.80	1,853.50	+0.45
Stockholm	Affarsvariden	1,019.10	1,018.90	+0.02
Vienna	Stock Index	427.95	438.00	-2.29
Zurich	SBS	611.60	613.90	-0.37

Very briefly:

- Airbus Industrie confirmed it was in talks to sell aircraft to China Aviation Supplies, the purchasing arm of China's civil aviation authority, but declined to comment on a report that it had signed a preliminary agreement to sell six A-330s and five A-340s.
- The Soviet Union's oil exporting agency, Soyuznefteexport, has declared itself to be a private company owned by its employees and will be known as the Russian Independent Oil Co., a spokesman said.
- European Community governments have given the EC Commission authority to finalize a patent accord with South Korea that could allow Seoul to regain preferential access to the EC market.
- Alusuisse-Lonza Holding AG said Germany's cartel office had approved its takeover of Duroform J. Fritz GmbH, a maker of molded compounds.
- Metallgesellschaft AG said the German shipbuilder Bremer Vulkan AG was a potential buyer of its majority stake in the toolmaker Schies AG.
- The EC Commission said it had approved a merger between BankAmerica Corp. and Security Pacific Corp., saying the deal would not hurt competition in the European Community.
- Reed International PLC said its pretax profit fell 22 percent in the six months ended Sept. 30, to £108.8 million, as its TV Times magazine was hurt by the freeing of Britain's market for television listings.

COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.			
United States			
Armco			
3rd Quar.	1991	1990	
Revenue	1,250	1,278	
Net Inc.	45.0	45.0	
Per Share	0.67	0.67	
9 Months	1991	1990	
Revenue	4,376	4,810	
Net Inc.	128.0	128.0	
Per Share	1.59	1.59	
Chrysler			
3rd Quar.	1991	1990	
Revenue	1,250	1,278	
Net Inc.	45.0	45.0	
Per Share	0.67	0.67	
9 Months	1991	1990	
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Per Share	1.59	1.59	
Cooper Industries			
3rd Quar.	1991	1990	
Revenue	1,250	1,278	
Net Inc.	45.0	45.0	
Per Share	0.67	0.67	
9 Months	1991	1990	
Revenue	4,376	4,810	
Net Inc.	128.0	128.0	
Per Share	1.59	1.59	

CARS: Counting on Aluminum

(Continued from first finance page)

saki Steel Corp. stepped up their ties with domestic aluminum companies this year. And the giant Mitsubishi group plans to join Reynolds Metals Co. of the United States in an aluminum refinery in Venezuela reportedly worth \$1 billion.

Western companies are not ignoring aluminum's potential. Alcoa, the world's biggest aluminum producer, last week announced plans to build a \$70 million plant for aluminum car frames and auto components near Düsseldorf. A major customer for the plant will be Audi, which is expected to market an all-aluminum car next year, Ford Motor Corp., which showed an aluminum space frame at the motor show, also sees potential for the metal.

Still, the emphasis in the West is on plastic. The Big Three have even taken a page from Japan's industrial handbook, forming a consortium to design a complete front-end from composites.

Plastic car frames will boast features such as wiring troughs, battery trays and fluid reservoirs and will simplify auto production, reducing the expense of building a new plant, now as much as \$2 billion, said Charles Haddad, manager of Ford Motor's design staff.

Car Exports Slip

A cutback in shipments to the slumping U.S. market contributed to a 1.6 percent decline in Japan's motor vehicle exports in the April-September period from a year earlier, Agence France-Presse said, citing a report from the Japan Automobile Manufacturers Association on Wednesday.

Philips Posts \$97 Million Net Profit

EINDHOVEN, The Netherlands — Philips Electronics NV on Wednesday reported a third-quarter net profit of 188 million guilders (\$97.66 million) after a year-earlier net loss before extraordinary items of 2.17 billion guilders.

Europe's largest consumer-electronics group said it would not resume payment of an interim dividend and that no decision had yet been taken on whether a dividend would be paid for the full year.

Philips last paid a dividend in 1989, of 2 guilders.

The group, which had 1990 losses of 4.24 billion guilders and announced plans to cut up to 55,000 of its then 286,000 jobs, had been expected to produce a third-quarter net profit this year of between 100 million guilders and 165 million guilders.

Marks & Spencer Profit Dips 6.6%

LONDON — Marks & Spencer PLC, the leading British retailer, announced Monday a 6.6 percent decline in pretax profit, to £215.2 million (\$366.4 million), for the first half ended Sept. 28, after an exceptional charge of £16.9 million to cover severance costs.

Marks & Spencer said its sales improved this month, but the company remained cautious about forecasting an economic recovery.

Canada was a problem spot for the company, with the operating losses growing to £5.8 million from £2.7 million in the same period last year.

Christiania to Slash Staff and Costs

OSLO — Christiania Bank og Kreditkasse, which declared itself virtually bankrupt earlier this month because of huge loan losses, said Wednesday it would cut staff by 16 percent and slash costs next year.

The bank, Norway's second largest, employed 4,993 people at the end of September. It said it would cut costs by 580 million kroner (\$86 million) next year.

The minority Labor government has said it will rescue Christiania and has given the bank a rescue package of 1.8 billion kroner. The government Bank Insurance Fund previously told the bank to cut costs by at least 15 percent by June 1992.

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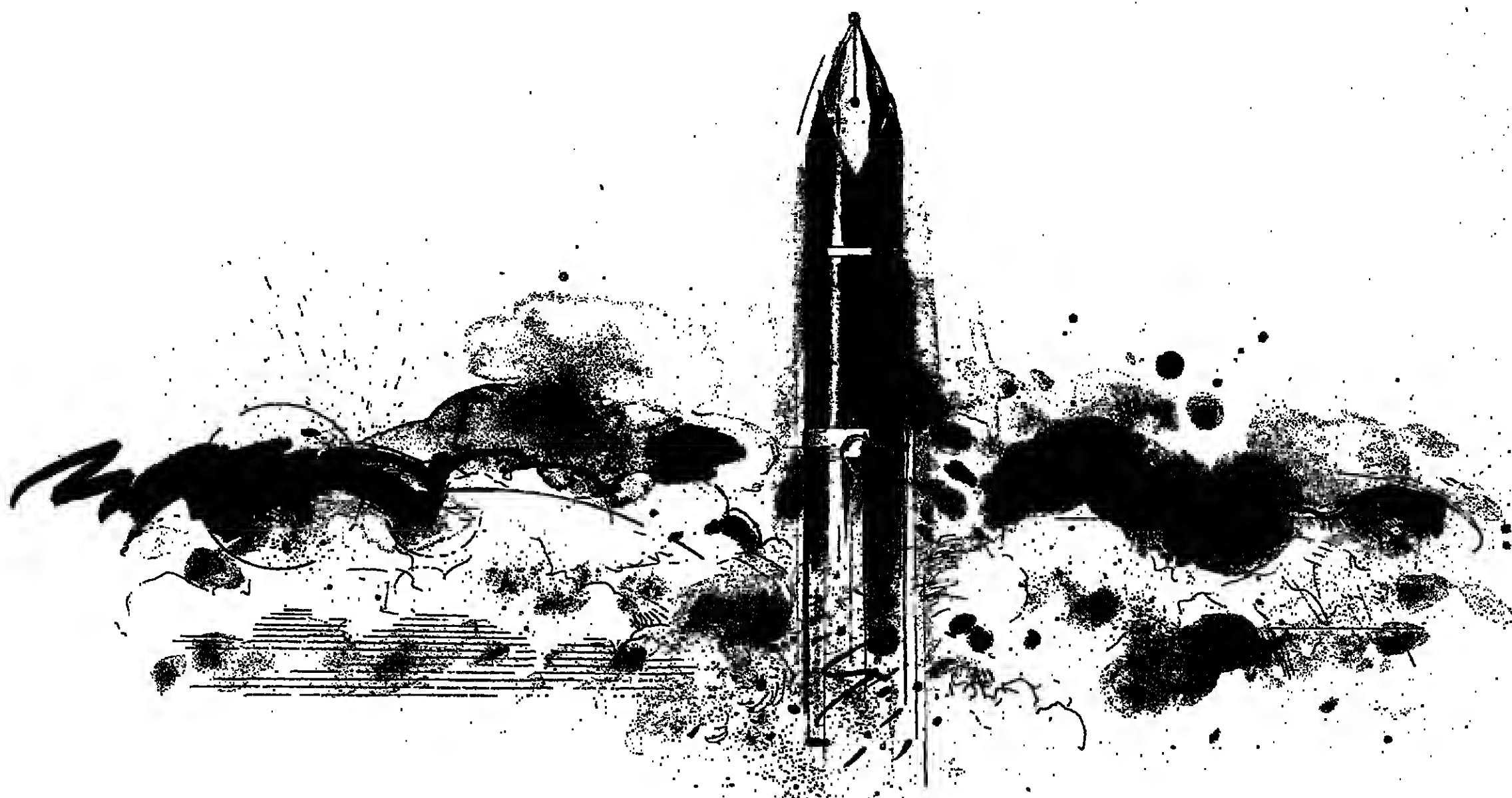
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Constantly introducing innovative product improvements, and updating its services on an ongoing basis. In short, settling for nothing less than the best in banking.

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Diamond-Star Seen as Good Deal for Mitsubishi

Compiled by Our Staff From Dispatches
TOKYO — Mitsubishi Motors will reap long-term benefits in the U.S. auto market from its buyout of Chrysler Corp.'s 50 percent stake in their American venture, Diamond-Star Motors Corp., according to analysts in Tokyo.

"It's good news for Mitsubishi because it will give it full control and flexibility in an operation that will expand," said Keith Donaldson, analyst at Salomon Brothers (Asia), of the sale announced on Tuesday.

"The deal will speed up Mitsubishi's process of decreasing its dependency on Chrysler and increasing its competitiveness in the U.S. market," said Stephen Marvin, analyst at Jardine Fleming Securities.

For Chrysler, the deal is worth more than the \$100 million Mitsubishi is paying for the stake and was not a desperation move, said

Vice Chairman Robert S. Miller Jr. By selling its stake, Chrysler is relieving itself of an estimated \$200 million in debts associated with the venture and a share of any future losses in the venture, which has lost \$400 million since it started making cars in 1985, Mr. Miller said.

He also said the sales agreement allowed Chrysler to continue re-

ceiving half of Diamond-Star's output of Eagle Talon and Summit and Plymouth Laser cars, and it guaranteed Chrysler the right to supply engines and transmissions to Diamond-Star in the future.

Mitsubishi officials also shied away from suggestions that its purchase was an attempt to help prop up a stumbling partner. Mitsubishi,

Japan's third-largest car company, said that with exclusive ownership of Diamond-Star's Illinois plant, it will match Toyota Motor Corp., Nissan Motor Co. and Honda Motor Co. in owning U.S. manufacturing facilities.

Analysts were more skeptical, though. Mr. Donaldson of Salomon Brothers said Mitsubishi would have preferred not to make such a large investment now, when all Japanese carmakers are strapped for cash.

"As far as timing is concerned, the buyout of Chrysler's stake in Diamond-Star was a white-knight-to-the-rescue act on Mitsubishi's part," he said.

Neal Doying of Baring Securities (Japan) said the deal would not bring Mitsubishi quick benefits because it would have to shoulder extra costs for development and production at Diamond-Star.

(Reuters, WP)

Toray to Buy Thermo-Wave of U.S.

Agence France-Press

TOKYO — Toray Industries Inc., Japan's highest textile maker, said Wednesday it had joined with Shimadzu Corp. to buy the California semiconductor-equipment maker Thermo-Wave Inc. for \$70 million.

Toray will acquire 65 percent of the shares of Thermo-Wave, a maker of semiconductor measuring and inspection equipment, while the precision-instrument producer Shimadzu will acquire 22 percent. Toray will acquire a further 13 percent after four years.

Toray said the purchase would enable the two companies to make Thermo-Wave products in Japan, including two systems that use the company's patented thermal-wave and optical-beam technologies.

Taiwan's Forex Market Set for Forward Deals

Reuters

TAIPEI — Taiwan, taking a step to expand its tiny foreign-exchange market and become a regional financial center, announced Wednesday that it would permit forward currency trading.

"This will allow our exporters and importers to protect themselves from the risk of major fluctuations in exchange rates," said the deputy central bank governor, Yu Cheng. Forward trading will start on Friday.

Taiwan briefly allowed forward trading, which gives the customer the right to buy a currency at a fixed rate on a future date, in October 1987. But a ban was reimposed after only two days when a wave of speculation hit the market.

Mr. Yu said that with the start of forward trading, companies would have to take steps to protect themselves against exchange-rate fluctuations, instead of relying on central bank intervention.

He announced a host of restrictions designed to discourage speculation. Only exporters and import-

ers will be allowed to engage in forward trading.

Companies cannot make forward deals with more than one bank and the banks must report each trade exceeding \$100,000 to the central bank.

The duration of contracts will be 180 days and a contract can be extended once. Customers must deposit 7 percent of the contract's value with banks.

Foreign-exchange dealers said forward trading would help to develop Taiwan's sluggish foreign-exchange market. Daily turnover is around \$100 million, far lower than in major regional financial centers.

Many dealers expect the start of forward trading to increase pressure for appreciation of the Taiwan dollar, boosted in recent months by the country's huge trade surplus. But they said the impact would be small because of the restrictions and the fact that the currency had already risen in anticipation of the central bank's announcement.

The Taiwan dollar closed Wednesday at a 19-month high of 26.28 to the U.S. dollar.

Investor's Asia				
Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225
4100	1600	2750		
3800	1500	2500		
3500	1400	2250		
3200	1300			
3000	1200			
2800	1100			
2600	1000			
2400	900			
2200	800			
2000	700			
1800	600			
1600	500			
1400	400			
1200	300			
1000	200			
800	100			
600	0			
400				
200				
0				
Exchange	Index	Wednesday Close	Thursday Close	% Change
Hong Kong	Hang Seng	4,020.04	4,000.05	+0.50
Singapore	Straits Times	1,402.50	1,405.76	-0.23
Sydney	All Ordinaries	1,663.70	1,651.70	+0.73
Tokyo	Nikkei 225	24,981.18	25,140.61	-0.63
Kuala Lumpur	Composite	530.30	534.69	-0.82
Bangkok	SET	638.21	627.02	+1.78
Seoul	Composite Stock	700.38	694.45	+0.85
Taipei	Weighted Price	4,389.86	4,364.45	+0.58
Manila	Composite	1,021.38	1,009.56	+1.17
Jakarta	Stock Index	224.71	227.22	-1.10
New Zealand	NZSE-40	1,546.80	1,535.79	+0.72
Bombay	National Index	883.13	887.11	-0.45

Sources: Reuters, AFP International Herald Tribune

Very briefly:

- Marriott Hotels of the United States has signed an exclusive cooperation agreement with PT Duta Anggada Realty for the development of hotels in Indonesia.
- China has started work on a 2,500-kilometer (1,550-mile) fiber-optical cable between Shanghai and Guangzhou, with plans to add another 70,000 digital lines to China's congested telephone network.
- IRI, the Italian state-controlled industrial and financial group, has opened a Tokyo office as a step toward a more active presence in Japan.
- Unocal, the U.S. oil conglomerate, said it would continue searching for oil in Burma's southwestern Irrawaddy Basin despite growing international criticism of the country's human-rights record.
- Jardine Fleming, the Hong Kong brokerage, has received permission to open a branch office in Seoul.
- Nippon Oil Co. said its net profit grew 36.9 percent from a year earlier to 9.6 billion yen (\$72 million) in the six months ended Sept. 30.
- Singapore's petrochemical industry is expected to quadruple its output in five to 10 years once the many projects under study are completed, the chairman of the Economic Development Board said.
- Standard & Poor's Asia Ltd. said plans by Toshiba Corp. and C. Itoh & Co. to invest \$1 billion in a new venture with Time Warner Inc. would not affect their credit ratings.

Reuters, AFP, IHT

Korea Sees Slower Growth As Money Is to Stay Tight

Compiled by Our Staff From Dispatches

SEOUL — South Korea's top economic planner promised Wednesday to keep monetary policy tight next year and said enterprises feeling a financial pinch might have to sell off property.

The announcement came as the central bank reported a further widening of the current-account deficit to a record \$7.89 billion in the first eight months of 1991, far above the previous record of \$3.62 billion for 1980.

Choi Kuk Kyu, the deputy prime minister and Economic Planning Board minister, predicted a deficit of \$8 billion for the full year.

Mr. Choi predicted the country's gross national product would grow by a real 7.5 percent in 1992 as the government would continue to squeeze the money supply in an effort to control inflation. That growth target is down from an expected rate of 8.5 percent to 8.7 percent this year.

(Reuters, AP)

Vietnam Passes the Buck

Reuters

HANOI — A U.S. crackdown on dollar transactions between foreign banks and Vietnam has disrupted Hanoi's trade, but it has also given local businesses a crash course in foreign exchange.

Foreign and local businessmen said this week that trade was returning to normal as Vietnamese companies began switching to other hard currencies. But many shipments have been held up, payments delayed and commercial contracts worth millions of dollars amended in the last few weeks.

Businessmen said the U.S. Treasury warned some foreign bank branches in Singapore several weeks ago to stop doing dollar transactions with Vietnam, saying it violated Washington's 27-year trade embargo.

Shenzhen to Offer Stock to Foreigners

Agence France-Press

BEIJING — Foreigners will be able to invest in China's Shenzhen Stock Exchange for the first time when the bourse offers two shares for overseas investors, the China News Service reported Wednesday.

The two stocks — Shenzhen Wuyue Development Group and Nanfang Glass Co. — will be offered to Chinese investors on Sunday and to foreigners "some time later," the semi-official news agency said.

Shares aimed at overseas investors would have a face value of 30 million yuan (\$5.5 million) for Wuyue and 10 million yuan for Nanfang Glass, CNS said.

NYSE

Wednesday's Closing
 Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Stock	Div	Yld	PE	High	Low	PM	Open
IBM	3.20	4.2	12.5	125.00	124.00	124.50	124.00
Microsoft	0.00	0.0	15.0	45.00	44.00	44.50	44.00
Apple	0.00	0.0	10.0	30.00	29.00	29.50	29.00
Oracle	0.00	0.0	12.0	25.00	24.00	24.50	24.00
Sun	0.00	0.0	11.0	22.00	21.00	21.50	21.00
HP	0.00	0.0	13.0	28.00	27.00	27.50	27.00
Intel	0.00	0.0	14.0	35.00	34.00	34.50	34.00
Northern	0.00	0.0	16.0	40.00	39.00	39.50	39.00
Lucent	0.00	0.0	17.0	42.00	41.00	41.50	41.00
Motorola	0.00	0.0	18.0	45.00	44.00	44.50	44.00
Texas Instruments	0.00	0.0	19.0	48.00	47.00	47.50	47.00
Advanced Micro Devices	0.00	0.0	20.0	50.00	49.00	49.50	49.00
Linear Technology	0.00	0.0	21.0	52.00	51.00	51.50	51.00
Maxim Integrated	0.00	0.0	22.0	55.00	54.00	54.50	54.00
National Semiconductor	0.00	0.0	23.0	58.00	57.00	57.50	57.00
Rockwell International	0.00	0.0	24.0	60.00	59.00	59.50	59.00
Signetics	0.00	0.0	25.0	62.00	61.00	61.50	61.00
Texas Instruments	0.00	0.0	26.0	65.00	64.00	64.50	64.00
Western Digital	0.00	0.0	27.0	68.00	67.00	67.50	67.00
Yamaha	0.00	0.0	28.0	70.00	69.00	69.50	69.00
Yokogawa	0.00	0.0	29.0	72.00	71.00	71.50	71.00
Yokogawa	0.00	0.0	30.0	75.00	74.00	74.50	74.00
Yokogawa	0.00	0.0	31.0	78.00	77.00	77.50	77.00
Yokogawa	0.00	0.0	32.0	80.00	79.00	79.50	79.00
Yokogawa	0.00	0.0	33.0	82.00	81.00	81.50	81.00
Yokogawa	0.00	0.0	34.0	85.00	84.00	84.50	84.00
Yokogawa	0.00	0.0	35.0	88.00	87.00	87.50	87.00
Yokogawa	0.00	0.0	36.0	90.00	89.00	89.50	89.00
Yokogawa	0.00	0.0	37.0	92.00	91.00	91.50	91.00
Yokogawa	0.00	0.0	38.0	95.00	94.00	94.50	94.00
Yokogawa	0.00	0.0	39.0	98.00	97.00	97.50	97.00
Yokogawa	0.00	0.0	40.0	100.00	99.00	99.50	99.00

NASDAQ

Wednesday's Prices
 NASDAQ prices of 4,000 New York time. This list compiled by the AP consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Stock	Div	Yld	PE	High	Low	PM	Open
IBM	3.20	4.2	12.5	125.00	124.00	124.50	124.00
Microsoft	0.00	0.0	15.0	45.00	44.00	44.50	44.00
Apple	0.00	0.0	10.0	30.00	29.00	29.50	29.00
Oracle	0.00	0.0	12.0	25.00	24.00	24.50	24.00
Sun	0.00	0.0	11.0	22.00	21.00	21.50	21.00
HP	0.00	0.0	13.0	28.00	27.00	27.50	27.00
Intel	0.00	0.0	14.0	35.00	34.00	34.50	34.00
Northern	0.00	0.0	16.0	40.00	39.00	39.50	39.00
Lucent	0.00	0.0	17.0	42.00	41.00	41.50	41.00
Motorola	0.00	0.0	18.0	45.00	44.00	44.50	44.00
Texas Instruments	0.00	0.0	19.0	48.00	47.00	47.50	47.00
Advanced Micro Devices	0.00	0.0	20.0	50.00	49.00	49.50	49.00
Linear Technology	0.00	0.0	21.0	52.00	51.00	51.50	51.00
Maxim Integrated	0.00	0.0	22.0	55.00	54.00	54.50	54.00
National Semiconductor	0.00	0.0	23.0	58.00	57.00	57.50	57.00
Rockwell International	0.00	0.0	24.0	60.00	59.00	59.50	59.00
Signetics	0.00	0.0	25.0	62.00	61.00	61.50	61.00
Texas Instruments	0.00	0.0	26.0	65.00	64.00	64.50	64.00
Western Digital	0.00	0.0	27.0	68.00	67.00	67.50	67.00
Yamaha	0.00	0.0	28.0	70.00	69.00	69.50	69.00
Yokogawa	0.00	0.0	29.0	72.00	71.00	71.50	71.00
Yokogawa	0.00	0.0	30.0	75.00	74.00	74.50	74.00
Yokogawa	0.00	0.0	31.0	78.00	77.00	77.50	77.00
Yokogawa	0.00	0.0	32.0	80.00	79.00	79.50	79.00
Yokogawa	0.00	0.0	33.0	82.00	81.00	81.50	81.00
Yokogawa	0.00	0.0	34.0	85.00	84.00	84.50	84.00
Yokogawa	0.00	0.0	35.0	88.00	87.00	87.50	87.00
Yokogawa	0.00	0.0	36.0	90.00	89.00	89.50	89.00
Yokogawa	0.00	0.0	37.0	92.00	91.00	91.50	91.00
Yokogawa	0.00	0.0	38.0	95.00	94.00	94.50	94.00
Yokogawa	0.00	0.0	39.0	98.00	97.00	97.50	97.00
Yokogawa	0.00	0.0	40.0	100.00	99.00	99.50	99.00



Davis

Toothless NHL Stars Give Paul

SCOREBOARD

Standings

Team	W	L	T	Pts
Montreal Canadiens	21	10	3	45
Pittsburgh Penguins	19	12	1	39
Philadelphia Flyers	18	13	1	37
New York Islanders	17	14	1	35
Washington Capitals	16	15	1	33
Los Angeles Kings	15	16	1	31
San Jose Sharks	14	17	1	29
Calgary Flames	13	18	1	27
Edmonton Oilers	12	19	1	25
Chicago Blackhawks	11	20	1	23
St. Louis Blues	10	21	1	21
Minnesota Wild	9	22	1	19
Colorado Avalanche	8	23	1	17
Arizona Coyotes	7	24	1	15
San Jose Sharks	6	25	1	13
Phoenix Coyotes	5	26	1	11
Los Angeles Kings	4	27	1	9
San Jose Sharks	3	28	1	7
Phoenix Coyotes	2	29	1	5
Los Angeles Kings	1	30	1	3

WOMEN'S RESULTS

Team	W	L	T	Pts
San Jose Sharks	10	10	2	22
Phoenix Coyotes	9	11	2	20
Los Angeles Kings	8	12	2	18
San Jose Sharks	7	13	2	16
Phoenix Coyotes	6	14	2	14
Los Angeles Kings	5	15	2	12
San Jose Sharks	4	16	2	10
Phoenix Coyotes	3	17	2	8
Los Angeles Kings	2	18	2	6
San Jose Sharks	1	19	2	4

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Waiting for the Lottery

WASHINGTON — I went to Florida last week, and it could not have been at a more auspicious moment. It was holding a state lottery, and the grand prize was \$88 million which, even in Florida, isn't chopped liver.

The tickets cost \$1 each and you had to pick six numbers to win. It wasn't hard to do, particularly if you had a strong background in remedial arithmetic. Although I hated to take that much money out of Florida, I bought 20 tickets on a hunch that fate had brought me there for that purpose.

We lottery players are a special breed. We believe that everything we do is dictated by chance—good luck and bad luck. Chance has not always been kind to us, and so we are certain that the only way we can recoup our misfortune is by striking it rich in a lottery. Some call us dreamers, but I prefer to think of us as positive thinkers who live from hand to mouth.

What makes playing the lottery so satisfying is that it gives us an opportunity to fantasize about what we'll do when we get the money.

In my case I made up my mind that when I won I wouldn't change.

Lichtenstein Gets a Van Dyck

VADUZ—British authorities have approved the export of a masterpiece by Anthony Van Dyck to be included in the collection of the Prince of Lichtenstein, according to Reinhold Baumstark, the director of the collection until earlier this month.

Baumstark described the painting, a portrait of James, First Duke of Hamilton, as "this century's most important addition" to the collection.

It was purchased in 1988 for £1.4 million but could be transferred only after the British government's Reviewing Committee on the Export of Works of Art gave its approval last month. Baumstark said the license was issued after British museums were unable to raise the funds needed to keep the painting in the country.

It is the 20th work by the Flemish painter to become part of the Lichtenstein collection, which was begun in the 16th century.

I would still be the same happy-go-lucky, poker-faced gambler that I have always been. I'd continue to give my wife the same household allowance as before. I told her that we would still travel coach when visiting the children and that I would save shopping bags to use a second time.

The real fun of sweepstakes dreaming is how you will settle scores with people who haven't been very nice to you. Once your number is drawn, you know that they're going to come sucking around, trying to get their hands on your winnings.

There is this guy—I'll call him George. He always makes fun of my cheap clothes and complains that I am wearing the wrong tie. Well, just wait. When I win the big one, I'm going to buy a \$100 tie that doesn't match and wear it with a \$1,500 suit that doesn't fit.

The beauty of America is that when you have \$88 million you can wear anything you want.

Shorty Lox is another one who gets nothing from me.

He's always made fun of my past investments. What really tees me off is that he doesn't tell me how stupid I am—he tells my wife, and she always takes Shorty's word against mine. I expect that as soon as the oaks get out about my windfall, Shorty will be at the door begging to know my secret on how I can pick six numbers out of the air and play tennis at the same time.

I'll probably give the kids a million or two, although I don't want them to get the idea that their father can win a lottery every day of the week. They should know that disappointment and heartbreak go with the system, and even the best of the lottery winners can stumble.

When you have a statewide lottery of these proportions everyone expects to strike gold. I was talking to a lady at dinner about my winning the lottery, and the waiter interrupted us and said, "How can you win when I am going to win?"

Even the man handing out towels at the pool was certain that as soon as the numbers were drawn he could give up his job and buy himself a cabana in Hawaii, and let somebody else bring him towels.

That's the way we lottery people are—winning with us is like a religion. We always tell God we'll split the jackpot 50-50 if He helps us win.

It wasn't my turn last week, but it doesn't matter.

There is a big sweepstakes coming up in New Jersey, and if I don't win that one, there's always Puerto Rico.

India Plugs Into the Video Village

By Edward A. Gargan

New York Times Service

NEW DELHI — Inder Kumar Gujral, a former foreign minister, impeccably turned out in an ivory safari suit and delicate black loafers, stroked his white goatee with his hand, coughed slightly and then admitted that he did not watch MTV compulsively.

"Occasionally, but not all the time," he confessed, comfortably settled in a leather chair before an enormous Sony television recently wired for cable.

Maybe Gujral isn't glued to the gyrations of Madonna, Prince and Fine Young Cannibals, but increasing numbers of Indians are basking in the rays of rock videos and uncensored television for the first time.

On rooftops across New Delhi, and in Bombay, Calcutta, Madras and countless other cities and towns, satellite dishes are transforming the way in which Indians see the world.

The very rich prominently display their own dishes on their roofs. But most urbanites, India's growing middle classes, are plugging into the new world of television through rapidly proliferating cable services.

"The Gulf war was the turning point, followed by the Moscow coup," Gujral said.

For decades, Indians have been restricted to the fare served by state television, known as Doordarshan, a diet of tedious discussions by government bureaucrats, ancient Hindi movies, generous amounts of singing and dancing, and news programs often distinguished by their heavy censorship and age.

But during the Gulf war, India, particularly urban India, was swept up in the Cable News Network craze. Satellite dish manufacturers worked overtime to provide equipment to hotels and apartment buildings and many people spent hours riveted to the first war seen live. But after the war, the repetitiveness of CNN and its concentration on U.S. news caused many Indian viewers to drift away from the American network.

This fall, new channels began appearing on Indian televisions—MTV rock videos, an all-day sports channel and, making its debut earlier this month, the BBC's new World Service Television, a mix of news and entertainment.

All of this is possible because of AsiaSat, a satellite positioned over Asia that is available to television broadcasters who wish to



Rajiv Mehrotra and his firm are churning out satellite dishes.

reach an audience estimated at nearly 3 billion people. The new programs are being beamed up and back down courtesy of the Hong Kong-based Star TV.

For India, a nation long padlocked to the government's version of reality, the candy-store variety of programming has brought a poorly contained giddiness.

"The younger generation is seeing a lot more," said Anita Luthra, a housewife in the affluent Mahatma Bagh neighborhood of the capital who recently subscribed to a cable network offering the new satellite channels. "It's definitely making a difference. They get to see Western movies, things we never had as children."

Although the Indian government has tried to impose rigid censorship on all forms of visual productions—not only movies but also news videos that are sold monthly in cassettes—the new satellite technology has broken

the state's grip on the living-room tube.

Young entrepreneurs are sinking their life savings into satellite dishes and spreading cables through neighborhoods as they wire up homes and apartments for the new service.

The rush of satellite technology has overwhelmed India's glacial bureaucracy.

"All of us are new in this," said Kalidas D. Khanna, one of New Delhi's new breed of cable operators, who number more than 100 so far. "The cable business is new in India. Most of us don't know what we are doing. There is no law. It is such an infant industry."

Khanna, who until now has earned his living by exporting cotton sweaters to Britain, bought his dish last spring and put it on the roof of his house.

With a converter box, a couple of videocassette recorders and lots of cable, he began running wires into his neighbor's houses, down the block, and eventually

into neighborhoods a mile away. The city government says that no wires can cross public roads, but Khanna and his competitors across the city are little troubled by this decree.

"It's not such a hard and fast rule," he said. "We can go under the road, through a culvert. We've taken the cable overhead where the trees are shady."

Today, Khanna has 275 subscribers, all paying him 150 rupees a month, about \$6 at the official rate of exchange. Because cable operators are free to provide whatever mix of programming they wish, he offers recent Hindi movies and cartoons in addition to the satellite channels.

"People are very demanding," he said of his customers. "They want the best."

Like many operators, Khanna does not have the ability to offer all four satellite channels and videos on his cables. But the clamor of his subscribers is forcing him to replace his cables with ones capable of carrying more programming.

As it is, he spends a lot of time placating subscribers who call him at all hours of the night to switch channels or to change the movie.

"If we have the sports channel on and someone calls and wants to watch MTV, we'll change it," he said. "Sometimes things go really wrong. The night Rajiv Gandhi died, my receiver went out of business. Imagine that. We couldn't get CNN at all. I was on the phone for seven hours telling people I was trying to fix it."

Among those cashing in on the new thirst for foreign programs is Rajiv Mehrotra, a founder of Shyam Antenna and Telecommunications Systems, the largest manufacturer of television satellite dishes in India.

He began by selling small dishes to villages across India so they could receive state television, but now most of his production is geared for the growing cable industry.

"People obviously want more than they had," Mehrotra said. "First there was one channel, then two, now six. People want nine channels now. It's precisely the same as the United States 30 years ago."

Mehrotra estimated that 100,000 homes are now wired for cable in the capital. "Bombay is much more," he said.

Gujral said, "A new challenge is on us. I am not sure of those who feel that shutting out the world is the way. There's no going back."

PEOPLE

A Not-So-True Story

It is virtually unheard of for a book to jump from nonfiction to fiction, but on Nov. 10 The New York Times Book Review will shift "The Education of Little Tree" to fiction after its 19 weeks on the nonfiction paperback best-seller list. The book, originally published in 1976, was purportedly the childhood memoirs of an orphaned American Indian named Forrest Carter. But Carter, who died in 1979, has been widely accused of being a white supremacist named Asa Carter, with no credentials as an American Indian. Carter's widow recently confirmed her husband's true identity. The University of New Mexico Press, which reissued the book in 1986 as a trade paperback and has sold 340,000 copies this year, has also decided that "The Education of Little Tree" is more literature than autobiography. "We're removing the words 'true story' from the cover," said Elizabeth Hades, director of the publishing house. "When we found out that he wasn't really an orphan, we decided it probably was not a good idea to say it was a true story. We're now just saying it's a book."

Prosecutors have offered the actor Paul Reubens a deal that would leave the "Pee-wee's Playhouse" star free of a conviction on indecent-exposure charges. It would be "difficult to refuse," his lawyer said. "I think it's a fair and reasonable offer but the final decision will be his," said the performer's lead attorney, Richard Gerstein.

Gerstein said he hadn't discussed the offer with Reubens, but expected the actor to decide within the next two weeks. Under the deal, Reubens would plead no contest and there would be a \$50 fine plus court costs and 50 hours of community service. Reubens, 39, better known as Pee-wee Herman, is charged with a misdemeanor that carries a top penalty of 60 days in jail and a \$500 fine. He was arrested July 26 after detectives said they saw him exposing himself during showings of pornographic films.

Two years ago the Japan Art Association's Imperial Prize prizes were set up to honor artists whose works fall outside the scope of the Nobel Prize. Wednesday, this year's awards, worth 15 million yen (\$113,000) each, were given to the Swedish filmmaker Ingmar Bergman, the French painter Balthus, Eduardo Chillida of Spain for sculpture, Gae Aulenti of Italy for architecture and to the Hungarian-born composer György Ligeti.

American publishers have received an invitation from Andrew

Nurenberg, a London literary agent, to submit bids for a book by his client, Boris N. Yeltsin. In his letter, Nurenberg indicated that seven figures would not be inappropriate since that is what European publishers have already paid for the book. Executives at several major publishing houses said that at a million dollars plus their reply would be no, thanks. "It's not even to be considered at that level," said Alberto Vitale, chairman, president and chief executive officer at Random House.

John and Rebecca Moores, who met at University of Houston students next to a school fountain, are giving \$514 million to their alma mater in what is believed to be the biggest donation ever to a public university. Moores, 47, is founder and chairman of BMC Software Inc., a computer software company, and is one of the richest people in the country. Forbes magazine this month put his net worth at \$440 million. "Nobody wants to die wealthy," Moores said. "It's a lot more fun to give it away and see what happens while you're alive. About \$1 million will go to repair the Cullen Fountain, where the couple met. The fountain has been shut down because the school couldn't afford to fix it."

Twenty women competed for the title of China's supermodel, fascinating an audience more familiar with the Mao suit than the swimsuit. The event began with the solemn strikes of a gong and ended with Vice Premier Tian Jiyuan presenting the winner's trophy to a 22-year-old professional model from Shenzhen, a special economic zone near Hong Kong. The title could have some special economic returns for the winner, Chen Juanhong. It gives her a chance to compete against models from 40 other countries for a \$250,000 contract with the Ford Model Agency. That figure is mind-boggling in China, where the annual salary of the average worker is about \$350.

The guitarist Steve O'Rourke broke a leg and two other musicians in the Pink Floyd rock band were slightly injured when their car overshot an embankment in Mexico. Official said the accident occurred 12 miles from San Luis Potosi during the grueling Pan-American Rally that runs from southern Mexico to the Rio Grande. Dave Gilmore, a guitarist, suffered face and head injuries, and was flown with O'Rourke to a Houston hospital. Drummer Nick Mason was only slightly injured and continued in the race.

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